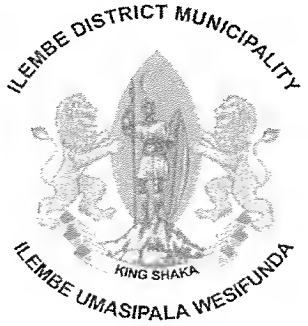

ILEMBE DISTRICT MUNICIPALITY

2020-2021

CUSTOMER CARE AND MANAGEMENT POLICY

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1. PURPOSE

1.1. Section 95 of the Local Government: Municipal Systems Act, no 32 of 2000 (hereinafter referred to as the MSA) requires the Municipality to:

1.1.1. establish a sound customer management system;

1.1.2. establish mechanisms for users of services and ratepayers to give feedback to the municipality regarding the quality of services;

1.1.3. Take reasonable steps to ensure that users of services are informed of the costs of service provision, the reason for the payment of service fees, and the manner in which monies are utilised;

1.1.4 Take reasonable steps to ensure the accurate measurement of consumption of services;

1.1.5 Ensure the receipt by persons liable for payments of regular and accurate accounts that indicate the basis for calculating the amounts due;

1.1.6 Provide accessible mechanisms for those persons to query or verify accounts and metered consumption, and appeal procedures which allow for prompt redress for inaccurate accounts;

1.1.7 Provide accessible mechanisms for dealing with complaints, prompt replies and corrective action;

1.1.8 Provide mechanisms to monitor response times to such complaints;

1.1.9 Provide accessible pay points and other mechanisms for settling accounts or for making pre-payments for services.

1.1.10 VALUES

In order to achieve Customer Service Excellence it is necessary that our front line staff have a common set of values that will guide their interaction with customers. As an organization, iLembe District Municipality will remind our staff that there must be commitment to the following Values that will guide our interactions with customers:

- Respect (we Value our relationship with Customers)
- Good Customer Care
- Service Excellence
- Integrity & Professionalism
- Mutual trust & understanding

These Values will be the cornerstone of our customer focused approach.

2. DEFINITIONS

In this policy:

2.1. Unless the context clearly requires a different interpretation, any word or expression which has been defined in the By-law shall bear the same definition when used in this policy;

2.2. Unless the context clearly requires a different interpretation:

2.2.1. "The MSA" shall mean the Local Government: Municipal Systems Act, 2000;

2.2.2. "The By-law" shall mean the Municipality's By-law which has been adopted in pursuant to Section 98 of the MSA to give effect to this policy;

2.2.3. "Centre" shall mean the Customer Care Centre established in accordance with this policy;

2.2.4. "Customer Care Centre" shall mean enquiries desk and call centre;

2.2.5. "Council" shall mean the Council of the Ilembe District Municipality;

2.2.6. "Customer" shall mean any person to whom the Municipality supplies services;

2.2.7. "The municipality" shall mean the Ilembe District Municipality.

3. CUSTOMER CARE

Through this policy the municipality's aim is to ensure that a customer will be able to contact the municipality conveniently and will be treated courteously, promptly and fairly. The customer will receive a clear response to any service request or enquiry within a stated period of time as defined in Section 7 of this policy.

3.1. CUSTOMER CARE CENTRE

The municipality shall endeavour to establish a Customer Care Centre which shall create a positive and reciprocal relationship between customers liable for payments and the municipality.

3.1.1 In particular, the Centre shall:

3.1.1.1 Serve as the conduit for receiving feedback regarding the quality of services, and to this end, shall receive, process, analyse and report to the Chief Financial Officer on such feedback;

3.1.1.2 Provide information to customers on the costs involved in service provision, the reasons for the payment of service fees, and the manner in which monies raised from services are utilised;

3.1.1.3 Serve as the point at which queries regarding accounts may be submitted and shall deal with such queries;

3.1.1.4 Serve as the point at which complaints may be submitted, and shall respond to such complaints.

3.1.2 The Centre shall be housed in an appropriate location and shall be properly equipped to deal with the matters referred to in 3.1.1 telephonically, by mail, e-mail and directly with the public.

4. COMMUNICATIONS

The Municipality shall promote communications and feedback channels as follows:

4.1. Copies of this policy may be obtained from the Municipality at a cost determined by the Council from time to time and will be made available by general publication and on specific request, and will also be available for perusal at the municipality's offices and the official web site.

4.2. The municipality will endeavour to distribute regular information regarding customer care and debt collection issues.

4.3. Ward councillors will be required to hold regular ward meetings, at which customer care and debt collection issues will be given prominence.

4.4. The press will be encouraged to give prominence to the municipality's customer care and debt collection issues, and will be invited to Council or Committee meetings where these are discussed.

4.5. In particular, the mechanisms referred to in 4.2, 4.3 and 4.4 shall be used to convey to customers information relating to the costs involved in service provision, and how funds received for the payment of services are utilised, and may where necessary employ the services of local media to convey such information.

5. METERING

5.1. The Municipality will endeavour to ensure that meters are read monthly, and as close to the same date as is practical in each month.

5.2. The municipality shall ensure that meters accurately record consumption.

5.3. If a meter is not read in any month, the municipality will estimate the consumption for the month in question, and to that end, where possible, it will base its estimate on the average consumption for the six preceding months. Where the next account based on an actual reading results in a need to adjust account for any excess amount or shortfall in the estimated account such adjustment will be done in the following month.

5.4. In the event that there the account was estimated then the water and sanitation charges shall be adjusted when the accurate and actual reading is obtained.

5.5. Customers may request verification of meter readings.

5.6. Where a customer is still not satisfied with consumption raised, after verification of meter readings, they can request for meter testing upon paying the relevant fees in terms of the municipality's tariff of charges.

5.7. In the event of a smart/intelligent meter being installed, the municipality is to ensure that the smart meter records consumption accurately and to make sure that the meter is in working condition in order to accurately render sewerage billing where applicable.

5.8. In the event that the meter is a "works order" meter or if the consumer feels that the meter is incorrectly recording or decreasing consumption, then the consumer can through the customer service centre or enquiries unit lodge a query and a technician be assigned to that query within 24 hours for an inspection to take place.

5.9. Customer has the right to be educated on the smart/intelligent metering operations.

5.10. All new application for services will be in the form of conventional metering in line with the Credit Control and Debt Collection policy.

5.11. All adjustments pertaining to incorrect charges would be adjusted going back a period of 3 Financial years inclusive of the year in which the adjustment is taking place

6. ACCOUNTS AND BILLING

6.1. Customers will receive accounts on a monthly basis for services supplied and for basic charges.

6.2. If a consumer is on prepaid metering, then NO basic charges shall be billed but only sanitation charges not limited to areas where sanitation services are rendered.

6.3. Where applicable and possible all the services supplied to a property the account shall be consolidated to for all such services.

6.4. All accounts shall reflect how the amount thereof is made up and calculated, and shall include, where applicable, an indication of the units consumed.

6.5. Accounts shall be understandable and accurate.

6.6. The due date for payment shall be indicated on each account.

6.7. Accounts shall be sent to the address of the customer last recorded with the Municipality in whichever manner that the consumer deems fit, limited to SMS, MMS, Email, and Posting.

6.8. Changes to customer personal details shall be done upon written request or information received by municipality during any data cleansing exercise.

6.9. Such changes are to be carried out, a duly authorized official from the Finance Department only but only after compliance with 6.8 above.

7. QUERIES AND APPEALS

7.1. A customer who believes that any account incorrectly reflects the amount owed by him or her may lodge a query regarding such account with the Centre.

7.2. Such query must be in writing and must specify the nature of the query and the manner and extent to which the customer believes the amount stated in the account differs from that actually owed, and the basis for such belief.

7.3. Such query must be lodged before the due date for payment of the account.

7.4. Such query must be accompanied by the payment of the average of the last three months' accounts where history of the account is available or an estimated amount provided by the municipality before payment due date.

7.5. Any subsequent accounts shall become due and payable by due date and any failure to make such payments will render the customer liable for credit control processes.

7.6. The centre shall endeavour to resolve the query within 30 days or advise consumer if it takes longer.

7.7. The centre will register the query and provide the customer with a reference number. The customer must ensure that a reference number is given for any unresolved query as it serves as proof of having lodged a query for to facilitate follow-ups and escalation of the query if not resolved within stipulated time as per 7.6 above.

7.8. For purposes of resolving the query, the Centre must diligently make all necessary inquiries with the relevant departments, and in accordance with the information obtained in the course of such inquiries, shall determine the amount actually payable and shall either:

7.8.1. Confirm the amount stated in the account; or

7.8.2. Accede to the customer's query and adjust the account according to the amount claimed by the customer; or

7.8.3. Partially accede to the customer's query and adjust the account by a different amount.

7.9. Should the customer not be satisfied with the determination of the Centre, he or she may appeal to the Municipal Manager or Enquiries Task Team against such determination.

7.10. Such appeal must be made in writing and lodged with the municipality within 21 (twenty-one) days after the notification of the Centre's determination, and must:

7.10.1. Set out the reasons for the appeal; and

7.10.2. Be accompanied by any security determined for the testing of a measuring device, if applicable.

7.11. Upon receipt of the appeal, the Municipal Manager shall make such inquiries considered necessary and endeavour to determine the amount actually owed within 30 (thirty) days of the appeal being made.

7.12. In accordance with such determination the Municipal Manager or Enquiries Task Team shall:

7.12.1. Confirm the amount stated in the account; or

7.12.2. Accede to the customer's appeal and adjust the account according to the amount claimed by the customer; or

7.12.3. Partially accede to the customer's appeal and adjust the account by a different amount.

7.13. The determination of the Municipal Manager or Enquiries Task Team shall be final and binding, subject, however, to the outcome of any court proceedings instituted by or against the customer in respect of the disputed amount.

7.14. The customer shall be notified in writing of any determination of the Centre or the Municipal Manager or Enquiries Task Team.

7.15. A customer has a right to request for a reference number for their query and also details of whom is handling the consumers query.

7.16. If the consumer is not satisfied, then the query can be lodged with a more senior official.

8. SERVICE COMPLAINTS

8.1 Quality of Service at the Centre

8.1.1. Should a customer have any complaint about any service rendered by the Municipality, he or she may lodge such complaint in writing, setting out full particulars of the complaint at the Centre.

8.2. The centre shall investigate the matter and if it finds that the complaint is justified, shall propose such remedial action as in the circumstances is reasonable and practical to apply.

8.3. Such remedial action shall, however, be ratified by the Municipal Manager before it is implemented.

8.4. The response time and efficiency in dealing with any complaint shall be monitored by Chief Financial Officer.

8.5. Every effort must be made to resolve any complaint in the shortest possible time.

8.6. The customer shall be notified in writing of the outcome of any investigation and any remedial action ratified by the Municipal Manager.

9. PAYMENT FACILITIES

9.1. The municipality has established the following accessible pay points and other mechanisms for settling accounts:

9.1.1. Cashier desks at the following Municipality's offices:

9.1.1.1. Ilembe House

9.1.1.2. Mandeni

9.1.1.3. Sundumbili

9.1.1.4. Ndwendwe Central

9.1.1.5. Maphumulo Office

9.1.1.6. Bamshela Office

9.1.2. Credit and Debit Card Facilities at the following Municipality's offices:

9.1.2.1. Ilembe House

9.1.2.2. Mandeni

9.1.2.3. Sundumbili

9.1.3 Roving Cashiers at various sites within the municipality

9.1.4 Direct deposit to Water Services Bank Account;

9.1.5 Third - party payments such as

9.1.5.1 Easypay at Checkers, Pick and Pay, Spar

9.1.5.2 Post Office

9.2. The Municipality shall give due regard to the demand for and preference of the community for any particular mechanism and the location thereof.

9.3. The municipality may in terms of section 103 of the Act:

9.3.1. with the consent of a customer approach an employer to secure a debit or stop order arrangement to deduct any amount owed from that persons salary; and

9.3.2. Provide for special incentives as contemplated in section 103 of the Systems Act.

10. OFFICE HOURS

- Finance Services – enquiries – 07h30 to 16h00
- Credit control and customer care – **Saturday** – 08h00 to 13h00
- Customer service call centre – 00h00 to 00h00 – 24 hours

11. POLICY ADOPTION

This policy has been considered and approved by the Council of the ILembe District Municipality on ..... MAY 2020.

This policy shall be effective from 01 July 2020.

ILEMBE DISTRICT MUNICIPALITY

2020-2021

CREDIT CONTROL AND DEBTCOLLECTION POLICY

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1. PURPOSE

This policy has been compiled as required in terms of Section 97 of the Local Government: Municipal Systems Act 32 of 2000 (hereinafter referred to as the MSA) and is designed to provide for credit control and debt collection procedures and mechanisms. It also aims to ensure that the Municipality's approach to debt recovery is sensitive, transparent and is equitably applied throughout the Municipality's geographic area.

2. STATEMENT

The MSA requires the Municipality to review the Credit Control Policy annually together with its budget.

The Municipality has taken cognizance of the high level of poverty and unemployment, which is prevalent in various areas of the District and has developed an Indigent Support Programme and other initiatives to assist those customers who are economically unable to meet normal service charges.

Assistance to the Indigent is dealt with in terms of the Indigent Support Policy. Any debt owing by an indigent debtor, after deduction of the indigent support rebate, shall be recovered from him or her, in accordance with this policy.

Due consideration has been given to the budgetary implications of this policy and necessary amounts allocated in terms of the annual Budget

3. DEFINITIONS

For the purpose of this policy, the wording or any expression has the same meaning as contained in the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) as amended from time to time, except where clearly indicated otherwise and means the following:

"account"	any account rendered for municipal services provided.
"Act"	the Local Government: Municipal Systems Act, 2000(Act No. 32 of 2000) as amended from time to time.
"arrears"	any amount due, owing and payable in respect of municipal services not paid by due date.
"Sewer & Water"	a monthly account reflecting municipal service fees, charges, surcharges on fees and other municipal taxes, levies and duties.

"Acknowledgement of Debt"	arrangements made with customers with regards to arrears.
"Consumer"	Any person liable to the Municipality for taxation or any services
"defaulter"	any customer in arrears.
"due date"	(i) **Monthly** The monthly date on which all customers' accounts become payable, which date shall be 15 days from date of the Account.
"illegal connection"	Any connection to any system through which the municipal services are provided, which is not authorized or approved by the Municipality or its authorized agent.
"owner"	a. the person in whom from time to time is vested the legal title to premises; b. in case where a person in whom the legal title to premises is vested is insolvent or dead, or is under any form of legal disability whatsoever, the person in whom the administration and control of such premises is vested as curator, executor, administrator, judicial manager, liquidator or other legal representative; c. in any case where the Municipality or its authorized agent is unable to determine the identity of such person, a person who is entitled to the benefit of the use of such premises or a building thereon; d. in the case of premises for which a lease agreement of 30 years or longer has been entered into, the lessee thereof; e. in relation to: i A piece of land delineated on a sectional plan registered in terms of Sectional Title Act, 1986 (Act No. 95 of 1986), the developer or the body corporate in respect of common property; or ii a section as defined in the Sectional Title Act, 1986 (Act No. 95 of 1986), the person in whose name such section is registered under a sectional title deed and includes the lawfully appointed agent of such person; or iii a 'Home Owners Association', all members of the Association.

f. the Ingonyama Trust, where the land is vested in the Trust by virtue of the provisions of the Ingonyama Trust Act.

g. any legal person including but not limited to:

i a company registered in terms of the Companies Act, 1973 (Act 61 of 1973), a trust, a close corporation registered in terms of Close Corporation Act, 1984 (Act 69 of 1984) and a voluntary as amended from time to time
ii any department of State;
iii any Council or Board established in terms of any legislation applicable to the Republic of South Africa;
iv any Embassy or other foreign entity.

"Prescribed form" refers to the form required by the Chief Financial Officer from time to time.

"Revenue Clearance Certificate" the certificate referred to in Section 118(1) of the Municipal Systems Act 32 of 2000.

"sundry charges" a charge to a customer, not directly linked to a property, and includes charges arising from damage to Municipal property and equipment.

PROVISION OF MUNICIPAL SERVICES

4. REGISTRATION

4.1 All new applications for services where there were no services will be in the form of conventional meters unless otherwise stated.

4.2 The Municipality shall whenever possible, combine any separate accounts of persons who are liable for payment to the municipality, into one consolidated account.

4.3 The Municipality may consolidate water and sanitation accounts to the occupier or tenant account for each property where these services have separate accounts for owner and/or occupier, irrespective of the lease agreement conditions regarding payment for such services.

4.4 No registrations or additions to the customer database can be processed unless legal documentation or written consent by the account holder acceptable to the Chief Financial Officer has been produced in each instance.

4.5 If there is an outstanding debt on the property, this debt must be settled in full or suitable payment arrangements must be made by the owner of the property, before any consumer/owner is registered for services and also the transfer to the new owner is registered.

4.6 All accounts opened shall be accompanied with a form/letter of consent from the owner of the property. This form will be obtainable at the municipal office where the account is to be opened. If this form is not fully completed, the account will be deemed unopened until such time that this requirement has been duly met.

4.7 With respect to a commercial application the following documents must be produced:

The Certificate of Registration or incorporation of the Company, CC, Trust, or Partnership.

- Certified copy of the identity document or passport of one of the directors, members, trustees or owner in the case of a sole proprietor, who would open an account.
- Letters of authority in the case of a partnership or sole proprietor.
- Personal sureties from one or more of the Directors / Members of a Company / CC Trust or Partnership
- VAT registration numbers if applicable
- Landlords consent / lease agreement / agents mandate between landlord / agent

4.8 Customers/consumers who fail to register and who illegally consume services will be subjected to such administrative, civil or criminal action, as the Municipality deems appropriate, the meter being removed and the property owner shall be billed for the consumption of those services

4.9 Where the purpose for or extent to which any municipal service used is changed, the onus and obligation is on the customer/consumer/ owner to advise the Municipality of such change.

4.10 The owner must advise the Municipality of any change of tenants within 30 days of the new tenant moving in.

4.11 Directors of companies, members of Close Corporations and Trustees of a Trust or any authorised representatives shall sign personal surety ships with the Municipality when opening services accounts.

4.12 In the event of deceased estates, the person nominated as executor or estate representative shall transfer the account into the name of the estate and the normal debt collection procedures shall apply in such instances"

4.13 All Re-connections are to take place after all payments have been paid up. If reconnection is done before payments are made, then that connection will be deemed illegal.

4.14 Customers who fail to apply for services and who illegally consume services will be subjected to punitive measures or such civil or criminal action as the Municipality deems appropriate. The Accounting officer will open criminal charges at the local police station.

4.15 The Executor of a deceased estate, in his capacity as such, shall be liable for payments of all debts on the property.

4.16 Where the property was previously governed by Black Administrations Act, and the estate not yet been finalized, the occupants of the property shall be regarded as "Deemed Owners for the purposes of the account only, and shall be responsible for payment of consolidated accounts (including sewer accounts if applicable).

4.17 Deemed ownership does not confer any rights to the occupants other than the liability to pay the accounts.

4.18 All borehole applications for approval shall be done through the municipality and in accordance to the Tariff policy and also the tariff of charges

5. DEPOSITS

5.1 At the time of registration as a consumer, a deposit will be required based on the criteria set by the Chief Financial Officer from time to time.

5.2 Deposits will be due and payable on registration of new consumers and upon the movement of existing customers to a new address.

5.3 The Municipality may appropriate a consumers' deposit on any account related to that customer.

5.4 Notwithstanding receipts for different services, deposits payable to the Municipality shall be a consolidated deposit, paid in cash or irrevocable bank guarantees. Sureties shall not be accepted in lieu of deposits.

5.5 If a consumers in arrears, the Bank Guarantee may be increased or converted to cash.

5.6 The Municipality may utilize the consolidated deposit as security for any or all of the charges or amounts included in the statement of account.

5.7 Where a business customer does not present a valid South African ID Document, a deposit equivalent to twice the usual deposit shall apply in addition to the personal suretyship.

5.8 Where a tenant has absconded leaving a debt on a property, an additional deposit, equal to the debt on the property, will be raised on the tenants other account, should one exist.

5.9 In the event that a prepaid meter is installed and there is no sanitation services in the area, there will be no need for a deposit amount to be paid to the municipality as there will be no debt that will be raised after connection charges have been paid up before installation.

5.10 Review of Deposits

a. If the consumer poses a credit risk, the value of the original deposit paid, maybe reviewed by the Chief Financial Officer from time to time.

b. The municipality has the right to raise a deposit if there is no deposit recorded/raised for services.

c. The deposit on an account may be reviewed when:

   i. The Account is paid after the due date
   ii. Dishonored payment
   iii. There is increased consumption of services
   iv. An account or property where water connection has been restricted/disconnected at least twice during the preceding financial period of 12 (twelve) months. The reviewed deposit will not be less than three times the average monthly account calculated over the three immediately preceding months.

d. The Municipality may increase the deposit up to12 month's consumption.

5.11 Interest Payable on Cash Deposits

No interest will be paid on deposits held by the municipality.

a. **Substitution of Accounts**

If a consumer /owner wish to substitute another person, a new account must be opened and all the requirements pertaining to opening account shall apply including the deposit in terms of 5.10 above.

ACCOUNTS MANAGEMENT

6. ACCOUNTS

6.1 The Municipality will have accounts posted to all consumers at the address chosen by the consumer at the time of application of service in the case of multiple ownership; the account will be posted to any one owner. Change of address must be done in writing.

6.2 Failure to receive or accept accounts does not relieve a consumer of the obligation to pay any amount due and payable. The onus is on the customer to make every effort to obtain a copy account for payment.

6.3 The Municipality or its authorized agent must, if administratively possible, issue a duplicate account to a customer on request. The Municipality will provide owners with copies of their tenant's accounts if requested.

6.4 The Municipality reserves the right to communicate accounts by any other means except post e.g., sms, mms, email or any other form of communication.

6.5 Accounts must be paid in full on the due date as indicated on the account. Failure to comply with this section shall result in credit control measures being instituted against the consumer. Interest on capital arrears will accrue after final date if the account remains unpaid.

7. RESPONSIBILITY FOR AMOUNTS DUE

7.1 In terms of Section MSA118 (3) of the Act an amount due for municipal service fees, surcharge on fees, property rates and other municipal taxes, levies and duties is a charge upon the property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property.

7.1.1 Accordingly, all such Municipal debts shall be payable by the owner of such property without prejudice to any claim which the Municipality may have against any other person.

7.1.2 The Municipality reserves the right to cancel a contract with the customer in default and register the owner only for services on the property.

7.1.3 No new services will be permitted on a property until debts on the property are paid, or suitable arrangements made to pay such debts.

7.2 Where the property is owned by more than one person, each such person shall be liable jointly and severally, the one paying the other to be absolved, for all Municipal debts charged on the property.

7.3 Owners shall be held jointly and severally liable, the one paying the other to be absolved, with their tenants who are registered as customers, for debts on their property.

7.4 Should any dispute arise as to the amount owing, the consumer shall pay all amounts that are not subject to the dispute and an average account for the amount that is in dispute.

7.5 Upon the installation of an additional meter, a consumer will be required to pay all outstanding debt and or make suitable arrangements in regards to having the debt settled. Upon the above not being met, the Municipality reserve the right to collect such outstanding amounts by way of enforcing Credit Control and Debt collection Policies adopted by Council which entail a percentage collection via pre-payment system.

8. PAYMENT OPTIONS

8.1 The Municipality will endeavor to establish a payment network to ensure that, wherever practically possible, customers in receipt of accounts have access to a payment site within a reasonable distance of their home.

8.2 Where any payment made to the Municipality, or its authorized agent, by negotiable instrument or direct debit, is later dishonoured by the bank, the municipality or its authorized agent:

i. Will recover the average bank charges incurred relating to a dishonored negotiable instrument against the account of the customer;
ii. may regard such an event as default on payment and the account shall be dealt with as an arrear account;
iii. Reserves the right to take legal action on the negotiable instrument or for recovery of arrears.

8.3 The methods of payment shall be determined by the Chief Financial Officer from time to time excluding Cheque payment and review Debit card payments.

8.4 A payment shall be deemed to be late, unless received on or before the due date at a municipal pay point by 15H00.

8.5 Electronic payments or payments made via duly authorized agents must:

i. Be received in the municipal bank account by 15H00 on the **due date**;
ii. Clearly indicate the details of the customer on behalf of whom the payment is made; and

iii. Must be accompanied by the relevant account numbers by way of an allocation

9. FULL AND FINAL SETTLEMENT

9.1 Where the exact amount due and payable has not been paid in full, any lesser amount tendered and receipted, except when duly accepted in terms of delegation of power, shall not be in full and final settlement of such an account.

9.2 The provision above shall prevail notwithstanding the fact that such lesser payment was tendered and/or receipted in full settlement.

10. CASH ALLOCATION

10.1 For consolidated accounts, the Municipality may in accordance with section 102 of the Act credit any payment by a customer/ consumer against any account of that customer.

10.2 Any amounts paid may be appropriated to the oldest debt first where there are separate accounts.

10.3 Any amount paid by the customer in excess of an existing debt may be held in credit for the customer in anticipation of future charges and fees for municipal services, and no interest will be payable on that amount.

10.4 The Municipality's allocation of payment is not negotiable and the customer may not choose which services to pay.

10.5 The municipality has a right to allocate payments to any account or accounts where there are arrears and there is more than 1 account for the same debtor.

11. INTEREST AND ADMINISTRATIVE CHARGES

Interest charges are raised on amounts that are in arrears for more than 30 days from the date of invoice

11.1 .

The interest rate is determined each year as part of tariff of charges..

11.2

11.3 Interest will not be charged on inactive accounts where there is no monthly consumption.

11.4 Any request for Write-off of interest on merit subject to recommendation by Chief Financial Officer and ratification by and approval Council.

12. BUSINESSES WHO TENDER TO THE MUNICIPALITY

12.1 When inviting tenders for the provision of services or delivery of goods, potential contractors must declare that all relevant municipal accounts owing by the tenderer or its directors, owners or partners have been paid or that suitable arrangements (which include the right to set off in the event of non-compliance) have been made for the payments of arrears.

12.2 The Municipality will at its sole discretion check whether all the Municipal accounts are up to date.

12.3 No tender will be allocated to a person / contractor until suitable arrangement for the repayment of arrears debt, has been made. The tenderer must maintain arrangements and pay current installments as provided for in any contract with the Municipality.

12.4 Where payments are due to a contractor in respect of goods or services provided to the Municipality, any arrear amount owing to the Municipality may be set off against such payments.

12.5 In the application of this section, the municipality shall interpret the provisions hereof so as to be consistent with the principles and contents of the supply chain management policy.

13. STAFF AND COUNCILLORS IN ARREARS

13.1 Item 10 of Schedule 2 to the Act states that: - "A staff member of the Municipality may not be in arrears to the municipality for a period longer than 3 months and a municipality may deduct any outstanding amounts from a staff member's salary after this period."

13.2 Item 12A of Schedule 1 to the Act states that: - "A Councilor may not be in arrears to the municipality for water and sewer charges for a period longer than three months."

13.3 The Municipal Manager shall issue the necessary salary deduction instruction where appropriate.

13.4 In the event that the municipal account is opened in the spouse of a councilor and or employee, then the municipality reserves the right to collect arrears due from the spouse and proceed thereof via salary deductions.

14. TERMINATION OF MUNICIPAL SERVICES

14.1 ARREAR ACCOUNTS

14.1.1 DISCONNECTION AND RECONNECTION OF SERVICES

14.1.1.1 Arrears on services or any other consolidated debt may result in restriction/disconnection of services / percentage blocking and or discontinuation of purchasing water through the pre-paid system or with- holding use of Municipal facilities.

14.1.1.2 Monthly accounts sent to consumers will carry a warning of imminent restriction/disconnection of water if account is in arrears.

14.1.1.3 The Municipality may also use SMS's and emails by way of warning Consumers to carry out payments failing to which 14.1.1.1 shall apply.

14.1.1.4 Where it is intended to disconnect a group of consumers in a complex, due notice shall be given in terms of the Constitutional Court judgment. 14 days' notice must be given, if it is intended to disconnect the primary consumer

14.1.1.5 Reconnections or reinstatement of services shall be done within 24 working hours, after satisfactory payment, or arrangements for payment, has been made by debtor. Reinstatement of water services shall be in the form of a conventional meter.

14.1.2 DOMESTIC CUSTOMERS

14.1.2.1 On restriction of water supply, the Municipality has the following payment options:

a Pay the outstanding arrear amount plus all relevant charges in full;
b Pay all relevant charges plus an initial payment determined by Council and then sign an Acknowledgement of Debt.
c In the event of not being able to pay the initial amount, the debtor may apply for a debt review where the established committee (Expenditure and Revenue Management Committee) may approve an arrangement without paying the initial amount but have it incorporated to the monthly arranged amount.

14.1.2.2 Confirmation of tampering of a restricted supply on two occasions may result in the entire water connection being removed. Customers have two options to facilitate the re-instatement of the water supply:

a Pay the outstanding debt in full (including all charges) plus the prevailing costs of a new connection, meter will then be installed;
b Pay all relevant charges plus an initial payment of 30% or a debt review arrangement as determined by the Chief Financial Officer and then Sign an Acknowledgement of Debt, which would include the connection costs and a meter will be installed.

14.1.2.3 In the event of a restriction/tampering, when applying 14.1.2.1 and 14.1.2.2 the reconnection fee needs to be paid in full. No arrangements will be made on such occasion for such fees/charges.

14.1.2.4 In the event of a funeral, an application may be made for temporary relief whereby the flow limiter may be removed for a specific period of up to seven days only. This may be done upon payment of a prescribed fee to be reviewed annually. The flow limiter will be reinstated after seven (7) days.

14.1.3 UNAUTHORISED SERVICES

14.1.3.1 No person may gain access to municipal services unless it is in terms of an agreement entered into with the municipality or its authorized agent for the rendering of those services.
14.1.3.2 The municipality or its authorized agent may, irrespective of any other action it may take against such person in terms of these bylaws, by written notice, order a person who is using unauthorized services to: -

(a) Apply for such services in terms of chapter 4 of this policy
(b) Pay the connection charges and tampering fees as prescribed in the tariff of charges.
(c) Undertake such work, as may be necessary to ensure that the unauthorized customer is legalised

14.1.3.8 Installation complies with provisions of these or any other relevant bylaws.

14.1.3.9No person other than the municipality or its authorized agent shall manage, operate or maintain infrastructure through which municipal services are provided.

14.1.3.10 No person other than the municipality or its authorized agent shall effect a connection to infrastructure through which municipal services provided.

14.1.3.11 Consumer found to have unauthorized services can at the municipal discretion be applicable to criminal and or civil charges laid against the owner/tenant.

14.1.3.12 No persons shall erect a borehole without an application of approval through the municipality, if so is found it will be deemed as illegal and applicable penalty fees shall apply/raised.

14.1.4 DEBT RELIEF FOR CONSUMERS - COVID-19

14.1.4.1 In the event that consumers cannot make payment and or cannot afford payment for services due to the various reasons then consumers can apply for debt relief to the municipality for consideration.

14.1.4.2 The consumer must make an application from the forms attached to this policy (annexure 1 and annexure 2)

14.1.4.3 Once application has been made then the forms are to be deliberated and taken into consideration in full by the established committee (Expenditure and Revenue Management Committee)

14.1.4.4 The above relief shall be not be applicable to government entities and institutions.
14.1.4.5 Consumers will be updated on the outcome of the application.
14.1.4.6 Debt review can also be applied for and consumers need to adhere to the outcome stipulated.
14.1.4.7 Not all cases will be the same and therefore the committee will not be applying a blanket approach. Each case will be considered differently.
14.1.4.8 An initial amount of 20% of the outstanding debt will be requested in order to fully apply for the above relief.
14.1.4.9 In the event that the initial amount cannot be paid, it must be stipulated on the application and the committee will also deliberate on that
14.1.4.10 Payment terms may be extended when considering an application for the above relief.

15. TERMINATION / TRANSFER OF SERVICES

15.1 At least 14 days' notice is required from the customer upon termination / transfer of an account, to enable the Municipality to take final meter readings and process account adjustments.

15.2 Landlords are not permitted to terminate water if there are occupants on the property and the account is not in arrears.

15.3 Consumers are required to update their information details with the Municipality. Failure to respond to the Municipalities request for updated information may result in with-holding of services or prosecution.

15.4 The Municipality may exercise its common right in accordance with **7.1** above where a tenant on a property is in breach of his/her contract with the Municipality. The tenant shall forfeit his/her deposit to the owner where the outstanding debt is paid by the owner.

16. POWER TO RESTRICT OR DISCONTINUE SUPPLY OF SERVICES

16.1 The municipality may restrict, discontinue or disconnect the supply of water or any other service to any premises, whenever a customer, in respect of a particular service:

16.1.1 Is placed under provisional sequestration, liquidation or judicial management, or commits an act of insolvency in terms of the Insolvency Act, 1936 [Act No. 24 of 1963] or any other applicable law; or

16.1.2 An administration order is granted in terms of Section 74 of the Magistrate Court Act, 1944 [Act No. 32 of 1944] in respect of such a customer.

16.1.3 Causes a situation which, in the reasonable opinion of the municipality, is dangerous, wasteful, or in contravention of relevant legislation;

16.1.4 Tampers with any municipal supply meter, or bypasses any metering equipment, in order to obtain an un-metered service;

16.1.5 Obstructs the efficient supply of water or any other municipal service to another consumer;

16.1.6 Supplies such municipal service to any person who is not entitled thereto, or permits such a service to continue;

16.1.7 Fails to comply with a condition of supply imposed by the municipality

16.1.8 Removal of meter for consumers not responding to being restricted.

16.1.9 . The debt collection policy determines that municipal accounts be paid on the due date as indicated on the account and that non-payment of accounts will result in debt collection action. Where an account rendered to a customer remains outstanding for more than 30 (thirty) days the municipality or its authorized agent may: -

16.1.10(a) Institute legal proceedings against a customer for the arrears; or

16.1.11(b) Hand the customer's account over to a debt collector or an attorney for collection.

16.1.12. A customer will be liable for all legal fees. All pre-legal costs associated with debt collection are not recoverable from the debtor, except those costs which are prescribed by the courts. including the payment of a higher deposit, as may be determined by the Municipality from time to time."

16.1.13 In the event of an occupier account being in arrears for more than 90 days, the registered owner will be informed of the arrears on the account and Council's intention of terminating the account and services and linking the meter to the owner's account. The debt will revert to the owner's account.

17. WATER & SANITATION DEBT RECOVERY USING THE PRE-PAYMENT METERING SYSTEM

17.1 In terms of the MFMA: the municipality shall take all necessary measures to recover all rates due and payable to the municipality. Therefore Council has the right to recover debt using the prepayment system. This can be as follows:

i. A message will appear on the token purchased stating that you need to contact the Finance department to make payment and or arrangements.
ii. Consumers can be blocked from purchasing water if sec 17.1 (i) is not adhered to via
    - Percentage blocking and full blocking
iii. Each time a customer make a purchase of water, a Minimum of 30% of the purchase price would be paid towards the old debt and may be increased at the discretion of the Municipality. This is applicable to consumers who have not made arrangements
iv. If all of the above are not adhered to then the municipality reserves the right to completely block any consumer from purchasing until payment or arrangements are made.

18. UNALLOCATED CONSUMPTION

18.1 When water consumption is recorded on a property during a period for which there is no registered customer against whom a bill can be raised, the relevant charges shall be raised against the registered owner on his consolidated bill.

18.2 In the event that there has been no legal authorization of services but there is consumption of services, an account is to be opened, charge tampering fees and determine and average to raise on the consumers account limited to 36 months.

18.3 allow the consumer arrangements to pay such as stipulated in the customer care policy and also in the debt collection policy.

19. INTERNAL LEAKS

19.1 Internal leaks may be charged at the lowest tariff, up to a maximum of *3 months*, upon approval and submission of the following documents:
19.2 Letter from registered consumer requesting reduction of account
19.3 Letter from a plumber who fixed the leak and copy of the invoice
19.4 A sworn affidavit by the accountholder where leak was self-repaired
19.5 Three subsequent water statements after the leak was fixed indicating reduction in Consumption.

19.6 An account can be adjusted more than once in a financial year in a case where leaks have taken place.
19.7 First adjustment will be 3 months
19.8 Second adjustment will be 2 months
19.9 and more than that mentioned in 19.6-8 will be an average of 1,5 months
19.10 Registered consumer shall pay for consumption at the lowest tariff for the 3 months accounts affected by internal leak whilst awaiting approval and at normal tariffs for any other accounts

20. REVENUE CLEARANCE CERTIFICATES

Subject to Sections 118(1) and (1A) of the Act, the following shall apply to the issue of a Revenue Clearance Certificate for the purpose of effecting transfer of a property to a new owner.

20.1 **Assessments**

Application shall be made by the conveyancer, in the prescribed format.

a Copies of all the accounts must accompany the application. If the relevant information is not provided, the application will be returned to the conveyancer.

b The assessment shall remain valid for a period of 30 days. If payment has not been received within this period, a re-assessment may be required and payment of a further assessment fee will apply.

c The onus rests with the seller and buyer jointly and severally to ensure that the debts on the property are fully paid before finalizing transfer of a property.

d Discrepancies in respect of the above may result in delays in issuing of a clearance certificate, and in addition may result in levying of additional service charges, fees and / or interest.

e Any amounts paid shall be appropriated to the oldest debt first.

f In the event that there has been no legal authorization of services but there is consumption of services, an account is to be opened and determine an average to raise on the consumers account limited to 36 months

g In the event where an Indigent write-off was granted within a year of the sale of property would be written back before a clearance certificate can be issued. (GRAP104)

20.2 **Clearance Certificates**

a Payment on the assessment must be made in cash or by irrevocable bank guaranteed cheque, or an Attorney's Trust cheque, eft

b There shall be no refunds on the cancellation of a sale.

c The Certificate shall be valid for a period of 60 days from date of issue.

21. LEGAL ACTION

21.1 Legal steps may be taken to collect arrears as set out in the debt collection strategy after consumers have been screened according to their risk:

A disconnection/restriction action yielded no satisfactory result;
B disconnection/restriction action is not possible due to the nature of the services for which the account has been rendered; or
C the arrears are older than 90 days

21.2 The Municipality will enforce any other rights or exercise any power conferred on it by any other legislation.

21.3 For residential properties occupied by owners, all reasonable steps shall be taken to ensure that the ultimate sanction of judgment and sale-in-execution is avoided or taken as the last resort. The Municipality, however, has total commitment to follow the legal process through to judgment and sale-in-execution should the debtor fail to make use of the alternatives provided for by the Municipality from time to time.

21.4 Once judgment is obtained the properties will be advertised and sold through public auction, unless appropriate settlement has been made to the satisfaction of the Municipality. The Municipality shall assess annually, the appropriate minimum amount below which it will not attach homes.

21.5 Legal and all applicable costs shall be debited to the relevant debtors account.

21.6 Metering and connection equipment remain in the ownership of the Municipality at all times and the owner of the property, on which such Municipal Meters and connection equipment is installed, shall be held responsible for all instances of tampering, damage or theft. Accordingly, the owner of the property concerned is liable for any breach of this duty and may be prosecuted.

21.7 The Chief Financial Officer shall determine the nature and extent of proceedings to be instituted in any particular case.

21.8 If the Chief Financial Officer is of the opinion that the institution or continuation of proceedings for the recovery of any amount shall be fruitless or not cost-effective, the Chief Financial Officer may recommend to the Council that such action be not commenced, or be discontinued or terminated.

21.9 The effective implementation of the present policy also implies a realistic review of the municipality's debt book at the conclusion of each year. The Chief Financial Officer shall present to the council a report indicating the amount of the arrears which it is believed is uncollectable, together with the reasons for this conclusion.

21.10 The council shall then approve the write-off of such arrears, if it is satisfied with the reasons provided.

22. ACKNOWLEDGEMENTS OF DEBT

22.1 The Municipality may, at its discretion, enter into an Acknowledgement of Debt and an admission of liability, with customers and owners in arrears with municipal service fees, surcharges on fees and other municipal taxes, levies, duties and sundry charges.

22.2 Before any Acknowledgement Of Debt is concluded,

a. A check is needed to be done if there were any previous Agreements, also to check if they have been fully met or dishonored.
b. At least 30% of debt for domestic users and 40% of debt for business and other categories shall be paid before signing of Acknowledgement of Debt or entering into any payment arrangement;
c. The Chief Financial Officer to approve all initial payments less than 30% for residential consumers
d. All services must be consolidated onto one account (if not done previously) and an Acknowledgement of Debt (as per above) concluded for the debt of all services where possible.
e. CFO to approve all initial amounts less than 40 % for all commercial consumers
f. Written submission must be made to the CFO for consideration
g. Services to commence once approval has been granted.

22.3 Customer entering into an Acknowledgement of Debt may be required to pay installments by scheduled payments or bank guaranteed cheques or any other means acceptable to the municipality.

22.4 The customers' current account must be paid in full, and maintained, for the duration of the agreement.

22.5 The owner of a property may be required to give consent in writing to an Acknowledgement of Debt and admission of liability with the Municipality and his tenant.

22.6 Re-connection, disconnection and tampering fees where applicable, must be paid in FULL before any Acknowledgement Of Debt can be entered into.

22.7 By entering into an Acknowledgement Of Debt the debtor(s), and where applicable, the owner, acknowledge that failure to meet any installment will result in prompt disconnection action being taken, without prejudice to any legal action that the Municipality may take to recover the arrears.

22.8 Acknowledgements of Debt negotiated on business accounts shall require the agreement to be signed by a duly authorized Director / Member of the business. Personal sureties to the value of the debt plus current accounts are also required. **Under no circumstances are agreements to be completed without such sureties.**

22.9 An Acknowledgement Of Debt may **not** be granted where:
22.9.1 Arrears have arisen due to dishonored cheques, direct debit reversals etc;
22.9.2 Instances of repeated meter tampering have been identified
22.9.3 The services have been removed;
22.9.4 AOD was previously entered into; or
22.9.5 The customer's deposit has been increased due to a poor risk profile.

22.10 Where any debt has arisen as a result of the Municipality having applied an incorrect charge and/or tariff, the customer may arrange to pay the debt over a maximum period at the discretion of the Chief Financial Officer and any interest or penalties may be waived.

22.11 Should any dispute arise with respect to the amount owing, the debtor shall continue to make regular payments based on the average charges for the preceding three (3) months prior to the dispute, plus interest where applicable.

22.12 The amount of the down payment and the period of the Acknowledgment of Debt shall be at the discretion of the Chief Financial Officer if different from 22.2(e) above.

22.13 The Acknowledgement of Debt shall be terminated if a debtor relocates from the property. The balance owing shall become immediately due and payable.

22.14 The monthly installments on an Acknowledgement of Debt are payable within twenty one (21) days from the date of the account notwithstanding any further extension of time printed on the face of the account.

22.15 Where a debtor enters into an Acknowledgement Of Debt with the Municipality to pay off arrears for service charges, no further interest will be added to the debt acknowledged if during the period, the debtor adheres to the Agreement.

22.16 The duration of the agreement shall not exceed 24 installments for residential customers and 12 installments for businesses and other categories unless authorized by the Chief Financial Officer.

22.17 Any debtor who enters into a bona fide arrangement with the municipality for the settlement of arrears and who fails to honour the terms of such arrangement shall not be allowed to enter into any further arrangements with the municipality unless any amount (including all interest and other charges) owing under the first-mentioned arrangement has been fully paid, or if, in the opinion of the Chief Financial Officer, special circumstances exist which justify the entering into of such further arrangements.

23. SUNDRY CHARGES ON CONTRACTORS

23.1 In the event that a contractor breaks and or interferes with the infrastructure of the municipality, then that contractor will be liable for damages of which a sundry account will then be opened for that contractor and payment is requested.

23.2 The above in sec 23.1 is to recover any losses that are to take place while repairing such damages to the network.

23.3 Such information must be brought to the attention of the finance department who will the carry out the applicable procedures in order to execute same.

23.4 Failure to pay and or make arrangement will mean that full credit control and debt collection procedures are to be enforced.

24. DISPUTES

24.1. A consumer who disputes a Municipal Account must submit each dispute within 60 days of rendering the account in writing to the Chief Financial Officer stating the reasons for such dispute and any relevant facts, information or representation, which the Chief Financial Officer should consider to resolve the dispute.

.2 The CFO or his nominee may hear representations from consumer who dispute within 30 days an account and he/his nominee may take a decision, based on the spirit of the Policy that is binding.

.3 A dispute submitted above shall not absolve the consumer from paying his account.

.4 A dispute submitted above shall not stop, absolve or defer the continuation of any legal procedure already instituted for the recovery of arrear payment relating to such dispute.

25. REFUNDS

Credits on accounts shall be refunded, upon application and submission of proof of payment, as follows:

24.1 on a water or sanitation account: to the account holder;

24.2 where the owner pays the tenants account in terms of Section 118(3) of the Act: to the owner;

24.3 on transfer of a property: to the conveyancing attorney or their nominee.

26. POLICY ADOPTION

This policy has been considered and approved by the Council of ILembe District Municipality in .....MAY 2020.

This policy shall be effective from 01 July 2020

ILEMBE DISTRICT MUNICIPALITY

2020 - 2021

Virement Policy

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ANNEXURE "A" VOTE CLASSIFICATION

ANNEXURE "B" REQUEST FOR VIREMENT TEMPLATE

1. DEFINITIONS

1. **ACCOUNTING OFFICER** – The Municipal Manager of a municipality is the Accounting Officer of the municipality in terms of section 60 of the MFMA, no 56 of 2003.
2. **APPROVED BUDGET** – means an annual budget approved by a Municipal Council.
3. **BUDGET RELATED POLICY** – means a policy of a municipality affecting or affected by the annual budget of the municipality.
4. **CHIEF FINANCIAL OFFICER** – means a person designated in terms of the MFMA who performs such budgeting, and other duties as may in terms section 79 of the MFMA be delegated by the Accounting Officer to the Chief Financial Officer.
5. **CAPITAL BUDGET** – This is the estimated amount for capital items in a given financial period. Capital items are fixed assets such as Property, Plant and Equipment, the cost of which is normally written off over a number of financial periods.
6. **COUNCIL** – means the Council of a municipality referred to in section 18 of the Municipal Structures Act, no. 117 of 1998.
7. **FINANCIAL YEAR** – means a 12 month period ending 30 June.
8. **LINE ITEM** – an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditures.
9. **OPERATING BUDGET** – The Municipality's Financial Plan, which outlines proposed expenditures for the coming financial year and estimates the revenues used to finance them.
10. **RING-FENCED** – an exclusive combination of line items grouped for specific purposes.
11. **SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN** – means a detailed plan approved by the Mayor of a municipality in terms of section 53(1) (c)(ii) for implementing the municipality's delivery of municipal services and its annual budget.
12. **VIREMENT** – is the process of transferring an approved budget allocation from one operating line item or capital project or another, with the approval of the relevant Manager. To enable budget managers to amend budgets in the light of experience or to reflect anticipated changes.
13. **VOTE** – means one of the main segments into which a budget of a municipality is divided for the appropriation of funds for the different Departments or functional areas of the municipality; and which specifies the total amount that is appropriated for the purposes of the Department or functional area concerned. (see annexure A)

2. ABBREVIATIONS

1. **CFO** – Chief Financial Officer
2. **IDP** – Integrated Development Plan

3. **MFMA** – Municipal Finance Management Act No.56 of 2003
4. **SDBIP** – Service Delivery Budget Implementation Plan
5. **CM** – Council Minutes

3. OBJECTIVE

To allow limited flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen expenditure or savings, as they arise to accelerate service delivery in a financially responsible manner.

4. VIREMENT CLARIFICATION

Virement is the process of transferring budgeted funds from one line item to another, with the approval of the relevant Director and Chief Financial Officer, to enable budget managers to amend budgets in the light of experience or to reflect anticipated changes.

5. FINANCIAL RESPONSIBILITY

Strict budgetary control must be maintained throughout the financial year so that potential overspends and /or income under- recovery, within individual vote Departments, are identified at the earliest possible opportunity.

The Chief Financial Officer has a statutory duty to ensure that adequate policies and procedures are in place to ensure an effective system of financial control. The budget virement process is one of these controls.

It is the responsibility of the Executive Director of each Department, to which funds are allocated, to plan and conduct assigned operations so as not to expend more funds than budgeted. In addition, they have the responsibility to prevent any unauthorised; irregular or fruitless and wasteful expenditure, in terms of section 78 of the MFMA.

6. VIREMENT RESTRICTIONS

a) No funds may be transferred between Functions. However Transfer of funds between sub functions is permissible.

b) Total virement per line item per annum may not exceed a maximum of 30% of the Annual Budget vote from which virement is requested.

c) In situations where circumstance dictates and there is no other option available, **only** MM and CFO may authorise the virement exceeding 30% of the vote from which it is requested. The requesting HOD must write a MEMO to MM and CFO motivating why the virement should be done exceeding

30% of the total budget from one vote to another and the virement may **only** be processed once the request has been approved by the MM and CFO in writing.

d) Virements resulting in adjustments to the approved SDBIP need to be submitted with an adjustments budget to Council, with altered outputs and measurements, for approval.

e) No virement may commit the municipality to increase recurrent expenditure, which commits the Council's resources in the following financial year, without the prior approval of Council.

    i) This refers to expenditures such as entering into lease or rental agreements such as vehicles, photo copiers or fax machines.

f) No virement may be made where it would result in over-expenditure.

g) If the virement relates to an increase in the workforce establishment, then the Council's existing recruitment policies and procedures will apply.

h) Virements may not be made in respect of ring- fenced allocations.

i) Budget may not be transferred from Grant expenditure and Income votes. This will be done via the Section 28 Adjustments Budget Process.

j) All virements of funds should be accompanied by prescribed Memo clearly stating the reasons for the said virement, signed by both CFO and MM.

k) Virements in Capital Budget allocations are only permitted within specified action plans and not across funding sources and must in addition have comparable asset lifespan classifications. Virements should not result in adding "NEW" projects to the Capital Budget.

l) Virements from the Capital Budget to the Operating Budget and vice versa, are not permissible.

m) No virement can be processed from the capital budget without prior obtaining an approval from Council supported by council resolution. These virements can only be done where savings have been identified.

n) No virements are permitted within the first 6 months of the financial year, and within two months of the Adjustments Budget Approval without the written request MEMO motivating why the virement is done within the restricted periods, mentioned –above and MEMO must be approved by the Chief Financial Officer and Municipal Manager.

o) Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets.

p) An approved virement does not give expenditure authority and all expenditure resulting from approved virements must still be subject to the supply chain management policy of Council as periodically reviewed.

q) Virements may not be made between Expenditure and Income.

r) Virements may only be done within the same expenditure category e.g Repairs and Maintenance category virements must be done within Repairs and Maintenance category not to a different category.

s) Addition of new line items within the projects is permitted provided that it does not increase or decrease the total amount of the project and does not contravene with paragraph R above.

t) Virements should not be permitted between different funding sources.

u) Virements to or from the following items should not be permitted: bulk purchases; debt impairment, interest charges; depreciation, grants to individuals, revenue foregone, insurance and VAT;

v) No virement will be permitted during adjustment budget process.

w) A virement may not create new policy, significantly vary current policy, or alter the approved outcomes / outputs as approved in the IDP for the current or subsequent years. (Section 19 and 21 of the MFMA refers).

7. VIREMENT PROCEDURE

a) All virement proposals must be completed on the appropriate documentation (Annexure B) and forwarded to the relevant Finance Department official for checking and implementation.

b) All virements forms must be signed by the Head of Department and the Manager within which the project is allocated.

c) A virement form must be completed for all Budget Transfers and captured on the Municipal Financial System only at Budget Office.

d) Must include changes to the SDBIP.

e) All Virement supporting documentation must be in order and approved before any expenditure can be committed or incurred.

f) The Municipal Manager will report to the Mayor on a quarterly basis on those virements that have occurred during that quarter.

8. General

The Municipal Manager shall be responsible for the implementation and administration of this Policy.

9. Legal Framework

- Municipal Finance Management Act No. 56 of 2003
- MFMA Circular No.13 – Service Delivery Budget Implementation Plan
- MFMA Circular No.51 – 2010/11 MTREF
- MFMA Municipal budget and reporting regulations

10. Commencement

This policy shall come into force on 1 July 2020

ANNEXURE A

VOTE CLASSIFICATION

DIRECTORATES AND DEPARTMENTS		
VOTE- DIRECTORATE CLASSIFICATION	DEPARTMENT	RESPONSIBLE INDIVIDUAL
CORPORATE SERVICES	040 Legal Services 045 Administration 065 Support Services 105 ICT 110 Human Resources 460 Health and Safety	DIRECTOR: CORPORATE SERVICES
MUNICIPAL MANAGER	055 Office of the Municipal Manager 056 Internal Audit 057 PMS 058 Risk Management	MUNICIPAL MANAGER
COMMUNITY SERVICES	050 Council General 060 Corporate Governance 070 Corporate Communications 400 Disaster Management	DIRECTOR: CORPORATE GOVERNANCE
FINANCE	080 Supply Chain Management 085 CFO 090 Financial Management 100 Revenue Management	CHIEF FINANCIAL OFFICER
LED & PLANNING	150 LED 155 Planning 420 Tourism	MANAGER: PLANNING
TECHNICAL SERVICES	200 KwaDukuza Sewerage 230 Mandeni Sewerage 240 Maphumulo Sewerage 300Technical Admin 310 KwaDukuza Water Reticulation 315 KwaDukuza Water Treatment 320 Umgeni Bulk Water 330 Mandeni Water 350 Ndwedwe Water 370 Maphumulo Water 380 IDM Drought Relief 390 Siza Water Concession 450 MIG Sanitation Projects	DIRECTOR: TECHNICAL SERVICES

ANNEXURE B

FUNCTIONS CLASSIFICATION

Executive and Council	Mayor and Council Municipal Manager, Town Secretary and Chief Executive
Finance and Administration	Administrative and Corporate Support Asset Management Finance Fleet Management Human Resources Information Technology Legal Services Marketing, Customer Relations, Publicity and Media Co-ordination Risk Management Supply Chain Management
Health	Health Services Laboratory Services Food Control Health Surveillance and Prevention of Communicable Diseases including immunizations Vector Control
Internal Audit	Governance Function
Planning and Development	Corporate Wide Strategic Planning (IDPs, LEDs) Economic Development/Planning Project Management Unit

Waste Water Management	Sewerage Waste Water Treatment
Water Management	Water Treatment Water Distribution
Community and Social Services	Disaster Management Cultural Matters Population Development

BUDGET TRANSFER REQUEST FORM

DOCUMENT NO ☐☐☐☐☐☐☐☐

REQUESTED BY (Manager): ..... (Signature) .....

REQUEST DIRECTED TO: The Chief Financial Officer

DATE: .....

FINANCIAL YEAR: 2020 / 2021

PLEASE EFFECT VIREMENT AS FOLLOWS:

FROM PROJECT DESCRIPTION : .....

ITEM CATEGORY : .....

FUNCTION .....

FUND .....

REGION.....

MUNICIPAL STANDARD CHART.....

COSTING .....

TO PROJECT DESCRIPTION : .....

ITEM CATEGORY : .....

FUNCTION .....

FUND .....

REGION.. .....

MUNICIPAL STANDARD CHART.....

COSTING.....

AMOUNT: R.....

REASON FOR VIREMENT :

.....

.....

.....

1. Are the above votes within same function? [Y] / [N]

If yes, follow virement procedure. If no, virement is not permissible.

2. Has the total virement on the above votes exceeded the limit as disclosed in paragraph 6b of the Virement Policy? [Y] / [N]
3. Will the above virement cater to the approved outcomes/ output of the IDP or adjust service delivery targets, as set in the SDBIP, downwards? [Y] / [N]
4. Is the virement required to increase recurrent expenditure, such as leases? [Y] / [N]
5. Will the virement affect the following line items and categories of expenditure:
   - Employment Costs Category [Y] / [N]
   - Departmental Charges [Y] / [N]
   - Charge out Allocations [Y] / [N]
   - Grant Expenditure [Y] / [N]
   - Income Category [Y] / [N]

I hereby declare that I fully understand the contents of the Virement Policy and request that the above virement be approved. The total amount of Budget Transfer is R.....

DIRECTOR: ..... (Signature)

NAME IN FULL:.....

DATE: .....

APPROVAL BY THE CHIEF FINANCIAL OFFICER:..... (Signature)

NAME IN FULL:.....

DATE:.....

CAPTURED BY (Name in full)..... (Signature).....

DATE:.....

CHECKED BY:(Name in full)..... (Signature) .....

DATE:.....

AUTHORIZED BY (Name in full)..... (Signature).....

DATE:.....

ANNEXURE - G

treasury
Department
Treasury
PROVINCE OF KWAZULU-NATAL

Treasury House
145 Chief Albert Luthuli Road
Pietermaritzburg 3201
P O Box 3613
Pietermaritzburg 3200
Tel: +27 (0) 33 897 4200
Fax: +27 (0) 33 342 4662
Internet: www.kzntreasury.gov.za

KZN PROVINCIAL TREASURY

MUNICIPAL FINANCE MANAGEMENT

Our Ref : 11/6/3/1(DC29)-2021
Enquiries : Mr. A. Soopal
Date : 10 June 2020

THE MUNICIPAL MANAGER
ILEMBE DISTRICT MUNICIPALITY
P O BOX 1788
KWADUKUZA
4450

Fax No: 032-437 9587

Dear Mr. N.G. Kumalo

ASSESSMENT OF THE 2020/21 ANNUAL BUDGET TABLED IN TERMS OF SECTION 16(2) OF THE MUNICIPAL FINANCE MANAGEMENT ACT, ACT NO. 56 OF 2003 (MFMA)

1. Reference is made to your Tabled Budget for the 2020/21 financial year that was submitted to Provincial Treasury in accordance with Section 22 of the MFMA, which states that *immediately after an annual budget is tabled in a municipal council, the accounting officer of a municipality must (b) submit the annual budget – (i) in both printed and electronic formats to the National Treasury and the relevant provincial treasury.*

2. Section 23(1)(b) of the MFMA states that *the municipal council must consider any views of – (a) the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the budget.* Section 24(1) of the MFMA further states that *the municipal council must at least 30 days before the start of the financial year consider approval of the annual budget.*

3. A compliance check was conducted to verify whether your Tabled Budget for 2020/21, as submitted to Provincial Treasury, conforms with the Municipal Budget and Reporting Regulations (MBRR) and provides the relevant information required in the main budget tables (A1-A10) and supporting tables (SA1-SA38). The attached Annexure A: *Check List of Compliance to Municipal Budget and Reporting Regulations* presents a summary of the completed and incomplete tables and the verification/reconciliation of the electronic submission to the budget tables included in the printed submission. Based on the outcome of the compliance check, your municipality partially completed some of the budget and supporting tables. It should be noted that where budget tables contained incomplete information, the Provincial Treasury was not able to perform a comprehensive analysis of your budget.

4. Based on the information submitted by your municipality in the Schedule A1, the budget documents, please find attached our detailed comments in Annexure B: *Assessment of the 2020/21 Budget* for your consideration in terms of Section 23(1)(b) of the MFMA.

5. **Funding of budget** - In order for the municipality to continue to provide services and extend their services to the community, the municipality's budget should be funded in accordance with the legal requirements of the MFMA.

   Based on Treasury's assessment of your 2020/21 Tabled Budget (*Cash/Cash equivalents at the year-end* reflected in Table A7: *Budgeted cash flows* and the *Cash position* reflected in Table A8: *Cash backed reserves/accumulated surplus reconciliation)*, your municipality's 2020/21 Tabled Budget appears to be funded. Refer to Annexure B for a detailed assessment of the your 2020/21 Budget.

6. Provincial Treasury Circular PT/MF 10 and 12 of 2019/20 requested that ALL municipalities MUST prepare their 2020/21 MTREF budgets on their financial systems and extract Schedule A1 directly from their financial systems to eliminate the possibility of any differences and/or misalignments. However, Provincial Treasury noted with concern that some your municipality's figures reflected in the 2020/21 Schedule A1 tabled in Council do not fully align to the figures reflected in the Tabled Budget mSCOA data string (TABB). Refer to Annexure B: Assessment of the 2020/21 Budget for the details of the two sets of figures reflected in the 2021/21 Budget Year column. **Your municipality is therefore required to ensure that the 2020/21 Schedule A1 to be tabled in Council and the Budget mSCOA Data strings (ORGB) are fully aligned by extracting both documents directly from the financial system.**

7. Municipalities should note that the Funding position for the 2020/21 Final Approved Budget will be determined based on the ORGB data strings that must be submitted by municipalities with the 2020/21 Final Approved Budget. The ORGB data string reflects the figures that the municipality has on their financial system. The assessment will consider the cash flow impact of budgeted Operating revenue and expenditure (Table A4) as well as Capital expenditure (Table A5) as reflected in the ORBG data strings. For instance, municipalities should note that if the amounts reflected in the ORGB data string for Table A5 (Capital expenditure) are incorrect, the incorrect amounts will be carried forward to Table A7 when assessing the Final Budget.

   Municipalities should also note that incorrect figures reflected in the 2019/20 ADJB data strings have an impact on the assessment of the 2020/21 budget, an example being on the 2020/21 opening Cash and cash equivalent balance. Thus, the poor quality of the data strings will have a very negative impact on a municipality's cash flow position, which could cause the municipality's budget to be assessed as unfunded and the municipality could face the risk of National Treasury withholding the municipality's Equitable share in terms of Section 38 of the MFMA. The impact of the figures reflected in the 2019/20 ADJB and the 2020/21 TABB data strings on the funding position of the municipality's Tabled Budget has been detailed in the attached Annexure B.

8. Municipalities are reminded of Provincial Treasury Circular PT/MF 10 of 2019/20 dated 16 March 2020, which reads "**Failure to address the weaknesses identified by Provincial Treasury will result in the MEC for Finance advising National Treasury to consider stopping the Equitable Share Transfer to the affected municipalities in terms of Section 38 of the MFMA. It should be noted that municipalities that had approved an Unfunded Budget for the 2019/20 financial year and did not table Funded Special Adjustments Budgets by 15 November 2019 had their December 2019 tranche of the Local Government Equitable Share withheld.**"

9. **Please ensure that when considering your 2020/21 Budget in Council for approval, a copy of the Council resolution or extract reflecting the Tabling of Provincial Treasury's final assessment of the 2020/21 Tabled Budget together with the municipality's responses to Provincial Treasury's findings are included among the Budget documents to be submitted to both National and Provincial Treasury.**

10. Furthermore, you are reminded to submit both printed (PDF) and electronic (excel for the Schedule A and word for the Budget narrative report) formats of the 2020/21 Approved Budget and related documents ensuring full compliance with all the components reflected in the attached Annexure C, to National and Provincial Treasury after the approval of the 2020/21 Budget.

    Section 24(3) of the MFMA, read together with Regulation 20(1) of the MBRR, requires that the approved annual budget be submitted to both National Treasury and the relevant Provincial Treasury ***within ten working days*** after the Council has approved the Annual Budget. For example, if the Council approves the Annual Budget on **29 May 2020, given the new timeframe for the evaluation of the municipal budgets,** the adopted budget data strings and documentation must be submitted by the latest **Monday, 01 June 2020 (as per the MFMA Circular No. 98),** otherwise an earlier date applies.

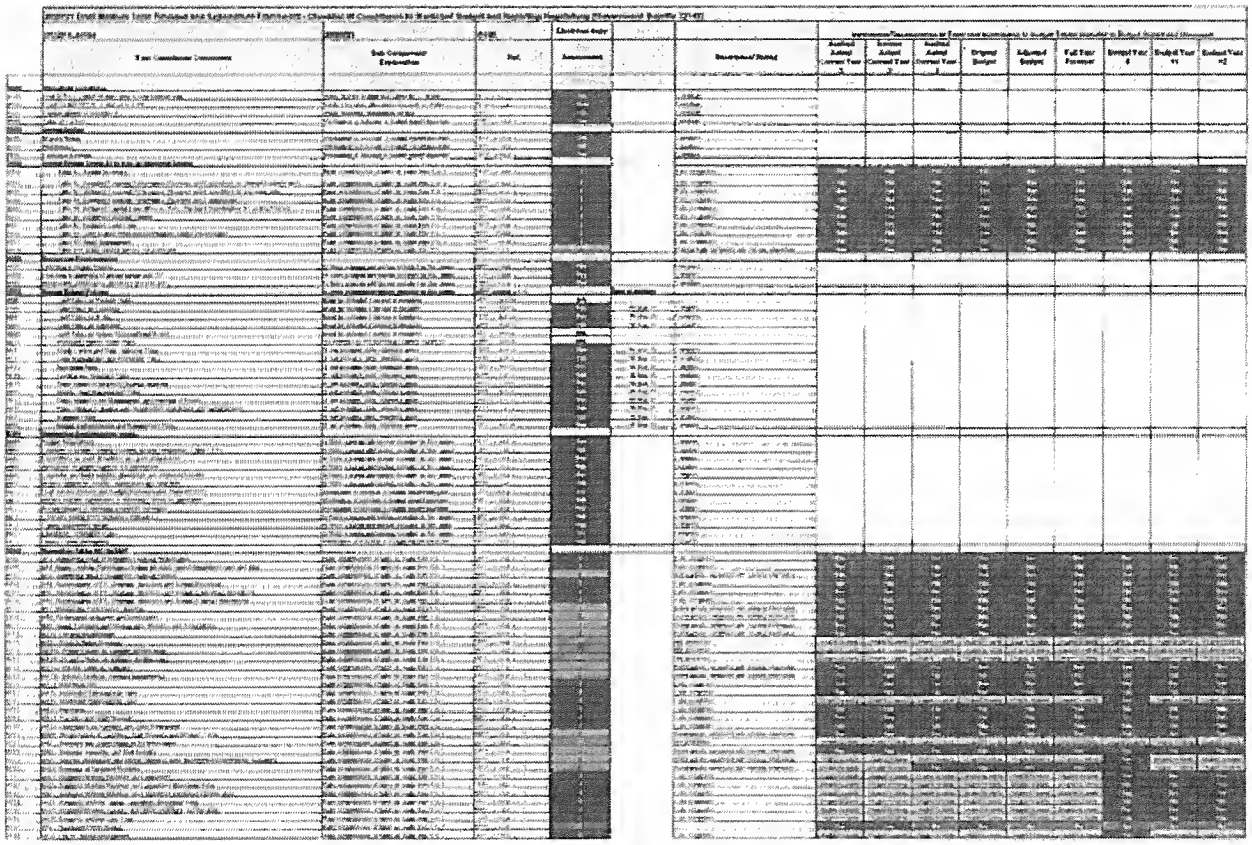
    Notwithstanding the above, the approved Annual Budget must still be submitted to both National and Provincial Treasury **within ten working days** after the Council has approved the Annual Budget as per MFMA Circular No. 99.

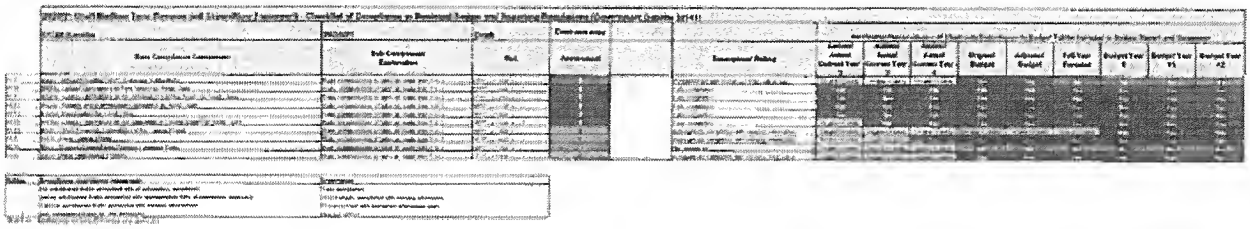
Yours faithfully

Duly Signed

Mr. F. Cassimjee
Chief Director: Municipal Finance Management

CC Mayor
Chief Financial Officer
Mr. Jan Hattingh, National Treasury





General Compliance and Other Matters- Tabled Budget

Municipality	iLembe DM
Budget Years	2020/21

Annexure B: Assessment of the Tabled Budget

General Compliance - Tabled Budget

No.	Key Focus Areas	Yes/No/ N/A	Comments (If required)
Format, Budgeting and mSCOA			
1	1 1. Did the municipality upload the data strings for the tabled budget (TABB) to the upload portal?	Yes	
	1 2. Did the municipality upload the IDP project detail data strings (PRTA) to the upload portal?	Yes	
	1.3. Were the submitted Schedule A1 (pdf or electronic) extracted directly from the system?	No	Although the Schedule A1 (Excel version tabled in Council) was extracted from the financial system with manual changes, the municipality did not submit a pdf version of the budget that was directly extracted from the financial system
	1 4. Did the submitted Schedule A1 (schedule tabled in Council) reflect the same figures as those reflected in the submitted datastrings?	No	Refer to differences noted and highlighted in red throughout Tables A4, A5 and A7 The following were some of the differences noted, amongst others between the Schedule A1 (schedule tabled in Council) and the datastrings: Table A4: - Transfers and subsidies (Schedule A: R608.8 million, Data string: R644.2 million) Table A5: - Internally generated funds (Schedule A: R6.9 million, Data string: R6.8 million) Table A7: - Suppliers and employees (Schedule A. R995.2 million, Data string: R786.1 million) Table A9. Repairs and maintenance (Schedule A: R54.7 million: Data string: R54.9 million)
2	Has the municipality prepared the Tabled Budget as per the prescribed format and content as stipulated in the MBRR? - Schedule A of MBRR	Yes	
	Part 1 – Annual Budget		
	- Table of contents	Yes	
	- Mayors report	Yes	
	- Resolutions	Yes	
	- Executive summary	Yes	
	- Annual Budget tables	Yes	
	Part 2 – Supporting Documentation		
	- Overview of annual budget process	Yes	
	- Overview of alignment of annual budget with Integrated Development plan	Yes	
	- Measurable performance objectives and indicators	Yes	
	- Overview of budget related policies	Yes	
	- Overview of budget assumptions	Yes	
	- Overview of budget funding	Yes	
	- Expenditure on allocations and grant programmes	Yes	
	- Allocations and grants made by the municipality	N/A	As per Tables SA21 and SA31, there are allocations budgeted to be transferred to the entity
	- Councillor and board member allowances and employee benefits	Yes	
	- Monthly targets for revenue, expenditure and cash flow	Yes	
	- Annual budgets and service delivery and budget implementation plans- internal departments	Yes	
	- Annual budgets and service delivery and budget implementation plans municipal entities and other external mechanisms	Yes	
	- Contracts having future budgetary implications	Yes	Only the 2019/20 financial year was populated in Table SA33 Contracts having future budgetary implications. Thus, the list of all contracts with future financial obligations over the 2020/21 MTREF and beyond the three years covered by the MTREF (MFMA s33) was not provided
	- Capital expenditure details	Yes	
	- Legislation compliance status	Yes	
	- Other supporting documents	Yes	
	- Annual budgets of municipal entities attached to the municipalities annual budget	Yes	
	- Municipal Manager's quality certification	Yes	
3	Has the Tabled Budget been tabled and submitted using Version 6.4.1 of the mSCOA Chart for the 2020/21 MTREF (MFMA Circular No 99)?	Yes	
4	4.1 Are all the tables completed?	Yes	Based on the outcome of the compliance check, the municipality partially completed some of the budget and supporting tables. It should be noted that where budget tables contained incomplete information, Provincial Treasury was not able to perform a comprehensive analysis of your budget.
	4.2 Do the audited outcome figures in the budget tables agree to figures in the audited Annual Financial Statements?	Yes	Although the audited outcome figures in the budget tables agree to figures in the audited Annual Financial Statements, it was also noted that none of the Audited Figures as per the mSCOA data strings agreed to the figures in the 2018/19 audited AFS, the municipality is therefore requested to correct and resubmit the 2018/19 audited data strings (AUDA)

No.	Key Focus Areas	Yes/No/ N/A	Comments (If required)
	4.3 Do the current year s Original Budget (2019/20) figures in the budget tables agree to the Original Budget figures as per the A schedule	Yes	
	4.4 Do the current year's Adjusted Budget (2019/20) figures in the budget tables agree to the Adjustments Budget figures as per the B schedule.	Yes	
5	If the municipality has a municipal entity was a consolidated budget prepared and submitted?	Yes	
6	Findings from comparison of Approved Valuation roll and property values on Financial System	N/A	
Cash funding position of the budget			
Tables A7 :Budget Cash Flow			
7	Has Table A7 been correctly and fully populated?	Yes	Although the municipality fully populated Table A7, Provincial Treasury raised a number of concerns over the credibility of some of the budgeted amounts.
8	Have the correct figures been captured for the Audited Outcome and Adjusted Budget Columns in Table A7?	Yes	Refer to comment in point 7 above
9	Is Closing balance for Cash flow on Table A7 positive for the budget year?	Yes	Refer to comment in point 7 above.
Tables A8: Cash backed reserves/accumulated surplus reconciliation			
10	Has Table A8 been correctly and fully populated?	Yes	Similar to Table A7, although the municipality fully populated Table A8, a number of concerns were raised on some of the figures populated. Please refer to the analysis on the cash flows for details.
11	Is the budget year funded according to Section 18 of the MFMA?	Yes	
Service level standard			
12	Have Service level standards been tabled together with the budget as required by MFMA Circular No. 75?	Yes	
13	Has the Service level standard been incorporated into the budget or submitted together with budget documents?	Yes	
Cost containment measures			
14	Has the municipality implemented the Cost containment measures as required by MFMA Circular No. 82? If the municipality has a cost containment policy then the municipality needs to have implemented procedures contained therein.	Yes	
Alignment of annual budget to IDP strategic objectives			
15	a) Does 'Total Revenue' budget for the IDP strategic objectives in Table SA4 reconcile to 'Total Operating Revenue' in Table A4?	Yes	
	b) Does 'Total operating expenditure' for the IDP strategic objectives in Table SA5 reconcile to 'Total operating expenditure' in Table A4?	Yes	
	c) Does 'Total capital expenditure' for the IDP strategic objectives in Table SA6 reconcile to 'Total capital expenditure' in Table A5?	Yes	
16	Are the IDP strategic objectives of the municipality aligned to the national and provincial priorities?	Yes	
Other matters			
17	Have all allocations as per DoRA and Provincial Estimates been included in the Tabled Budget?	Yes	The municipality correctly reflected the allocations as per DoRB No 43025 of 17 February 2020. There were no allocations for iLembe in the Provincial Gazette No 2177 issued on 26 March 2020 It is the responsibility of the municipality to ensure that National and Provincial allocations are correctly accounted for in the 2020/21 Final Budget as per the DoRA and the Provincial Gazette
18	Is the highest level of free basic services provided for (Table A10) in line with indigent policy?	Yes	
19	Does the capital budget reflect consistent efforts to address the backlogs in basic services and the renewal of infrastructure of the existing services?	Yes	
20	Has the district municipality included a section on the impact of cost of water services provision resulting from the new levy called Drought levy charged by Bulk Water suppliers such as Umgeni Water (if applicable) ?	Yes	
21	Is the Budget Steering Committee (BSC) functional ?	Yes	
22	Did the municipal departments submit budget bids and were they evaluated by the Budget and Treasury Office (BTO) ?	Yes	
23	Did the municipality plan to conduct or has already conducted meaningful public participation prior to the approval of the budget ?	Yes	As per the municipality, there has been adverts which have been broadcasted via local newspapers inviting the community's comment. The closing date for submitting comments is 06 June 2020

Municipality: Lembe DM

Table A4 - Budgeted Financial Performance (Operating Revenue) - PT Assessment

Description	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework			
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Actual Amount (Data String) IYM as at: M09 Mar-20	Full Year Projections for current year based on Actual Perf. (100%)	Budget Year 2020/21 Council Tabled Budget	Budget Year 2020/21 Data String	Budget Year +1	Budget Year +2
Revenue By Source									
Property rates	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue	–	–	–	–	–	–	–	–	–
Service charges - water revenue	116 120	138 196	145 624	115 726	154 302	158 639	158 639	168 157	178 246
% Growth Rate (Nominal)		19.0%	5.4%			8.9%		6.0%	6.0%
Increase/(Decrease) in households receiving the Minimum Service Level and Above sub-total			139 980			139 980		% Increase	0.0%
% Gross Margin- Water		4.4%	-17.1%			-38.0%		-43.3%	-48.7%
Surplus/(Deficit) per Table A2		244 253	277 105			165 358		181 263	482 531

PT Comments:

The revenue for Service charges - water is budgeted to increase by 8.9 percent in 2020/21 from R145.6 million in 2019/20 to R158.6 million in the 2020/21 Draft Budget. As per the Draft budget narrative report, the municipal tariffs are budgeted to increase by 9.6 percent. This increase reconciles to the Tariff of charges submitted by the municipality. While the budgeted tariff increase is in line with the annual increase from Umgeni water, the municipality should note that National Treasury as per Circular 98 encourages muncipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers on the one hand and ensuring financial sustainablity of the municipality on the other hand. The municipality is thus required as per same Cirucular 98 to justify all increases in excess of the projected inflation target for 2020/21 (Consumer Price Index (CPI) forecasted to be within the upper limt of the 3 to 6 percent target band) in the budget narratives report.

It was noted that according to Table A10, the number of households receiving the minimum service level and above is budgeted to remain the same at 139 980 households when compared to 2019/20.

In 2019/20, the municipality had decreased the budget for the cost of providing Free Basic Services from R1.9 million in the Original Budget to R620 000 in the Adjustments Budget. It is noted that the Full Year Forecast column reflected R1.9 million same amount as the 2019/20 Original Budget whilst the budget for 2020/21 is R680 000. Considering that the budgeted households due to receive Minimum Service Level and Above sub-total remained the same between 2019/20 and 2020/21 and the fact that the Full Year Forecast column reflected an increased amount, the municipality is required to confirm whether all indigent households have been catered for in the R680 000 by using the latest/updated indigent register, especially with the impact of COVID 19 where the number of indigents are expected to increase.

As at March 2020 (Month 09), the municipality generated R115.7 million against this revenue line item with a straight line full year projection of R154.3 million for the 2019/20 financial year. This is high when taking into account the budgeted amount of R145.6 million in 2019/20. The municipality also indicated in the Draft budget narrative report, that there are various factors contributing to increased billing, such as data cleansing performed continuously which has reaped great results. Furthermore, this process will be further improved by the different mechanisms of reading meters using electronic devices which started in the 2019/20 financial year, thereby increasing efficiency and effectiveness while enhancing revenue. The municipality further indicated that they continue to encourage Indigent customer to register with the municipality. However, the municipality has noted that the number of people accessing this service has decreased as compared to prior year. Thus, current performance as well as other factors such as the confirmation on the accuracy of the amount budgeted for Free Basic Services should be taken into account when preparing the Final Budget for 2020/21.

Service charges - sanitation revenue	37 020	40 646	43 152	31 692	42 255	46 794	46 794	49 602	52 578
% Growth Rate (Nominal)		9.8%	6.2%			8.4%		6.0%	6.0%
Increase/(Decrease) in households receiving the Minimum Service Level and Above sub-total			73 064			73 064		% Increase	0.0%
Surplus/(Deficit) per Table A2		190 550	173 313			200 821		200 236	183 381

PT Comments:

Budgeted revenue from Service charges - sanitation has increased from R43.2 million in the 2019/20 Adjustment Budget to R46.8 million in the 2020/21 Draft Budget, an increase of 8.4 percent. Similar to Water services, the municipal tariffs are budgeted to increase by 9.6 percent and this increase reconciles to the Tariff of charges submitted by the municipality. Based on the actual performance reflected by the municipality for Month 09 (March 2020), the municipality generated an amount of R31.7 million against this revenue source. Based on a straight line full year projections, the municipality will generate approximately R42.3 million from this revenue source, which is slightly lower than the 2019/20 Adjustments Budget.

Description	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework			
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Actual Amount (Data String) IYM as at: M09 Mar-20	Full Year Projections for current year based on Actual Perf. (100%)	Budget Year 2020/21		Budget Year +1	Budget Year +2
						Council Tabled Budget	Data String		
Similar to Service charges - water revenue, the municipality is required to justify all increases in excess of the projected inflation target for 2020/21 (Consumer Price Index (CPI) forecasted to be within the upper limt of the 3 to 6 percent target band) in the budget narratives report.									
It was noted that the Total number of households was different across all services in Table A10, thus, it is unclear as to whether the municipality has used the correct base in terms of the number of households in budgeting for Service Charges - sanitation revenue while the Minimum Service Level and Above subtotal remained at 73064 households for 2019/20 and 2020/21.									
Service charges - refuse rev. revenue	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment	107	128	127	56	74	22	22	23	24
% Growth Rate (Nominal)		19.3%	-0.8%			-82.8%		5.0%	5.0%
PT Comments:									
The budget for Rental of facilities and equipment has decreased from R127 000 in the 2019/20 Adjustments Budget to R22 000 in the 2020/21 financial year. The reasons for the decrease was not provided by the municipality in the Draft budget narrative report, however, they indicated that this budget relates to the hiring of the District's Auditorium to the public.									
As at March 2020 (Month 09), the municipality generated R56 000 or 44 percent of the budgeted revenue of R127 000 for the 2019/20 financial year.									
The municipality is required to provide full explanation in respect of the decreased in budgeted revenue against this line item in the Final budget narrative report. If the reasons for the decrease is related to the impact of COVID-19, the municipality must provide the detailed explanation as well as why the municipality does not expect the revenue to increase in the latter part of 2020/21 as well as in the outer years.									
Interest earned - external investments	13 105	4 722	13 830	12 047	17 263	14 761	14 761	15 483	16 252
% Growth Rate (Nominal)		-64.0%	192.9%			6.7%		4.9%	5.0%
PT Comments:									
In the 2020/21 financial year, the municipality has increased the budget for Interest earned-external investments by 6.7 percent from R13.8 million in the 2019/20 Adjustments Budget to R14.8 million in 2020/21. The municipality indicated in the Draft budget narrative report that this budget is a combination of monies invested by the municipality as well as its entity on various financial institutions.									
The following discrepancies were noted and thus, Provincial Treasury could not ascertain reasonableness in the budgeted revenue for Interest earned - external investments: - No Investment revenue was reflected in Table SA31; - The total interest of R14.4 million reflected in the Investment particulars by maturity in Table SA16 does not reconcile to the amount reflected in Table A4; and - The total in Table SA15: Investments particulars by type of R27.6 million did not reconcile to the Call investment deposit R21.3 million reflected as a balance in Table A6: Consolidated Budgeted Financial Position.									
These discrepancies should be corrected by the municipality in the 2020/21 Final Budget.									

Description	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework			
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Actual Amount (Data String) IYM as at: M09 Mar-20	Full Year Projections for current year based on Actual Perf. (100%)	Budget Year 2020/21		Budget Year +1	Budget Year +2
						Council Tabled Budget	Data String		
Interest earned - outstanding debtors	25 769	35 706	35 602	23 656	31 541	39 020	39 020	41 361	43 843
% Growth Rate (Nominal)		38.6%	-0.3%			9.6%		6.0%	6.0%

PT Comments:

The municipality reflected an increase of 9.6 percent for Interest earned - outstanding debtors from R35.6 million in 2019/20 to R39 million in the 2020/21 financial year. As per the Draft budget narrative report, the budget for this revenue item is directly linked to the debtors book, which according to the municpality "*rose extremely due to an increase arising from improved billing between 2018/19 and 2019/20*".

Based on the low performance of R23.7 million or 66.4 percent against the budgeted revenue of R35.6 million reported as at the end of March 2020 (Month 09), the budget for the 2019/20 appears to be overstated. This may imply that the increase in debtors as anticipated by the municipality due to improved billing between 2018/19 and 2019/20 is not to the level as expected. As the 2020/21 budget of R39 million is based on an increase of 9.6 percent from the 2019/20 Adjustments Budget the municipality would need to re-assess, whether the 2020/21 budget may not be overstated.

In addition, the interest on outstanding debtors in the 2018/19 Audited AFS only represented 7 percent of the gross debtors, however, it has been noted that the budget of R39 million in 2020/21 represents 9 percent of budgeted gross debtors. When taking into consideration that the municipality indicated that there will be a write off of uncollectable long outstanding debtors which should ultimately reduce the Consumer debtors balance at the end of the 2019/20 financial year, this also confirms that the budget for 2020/21 for Interest earned - outstanding debtors may be overstated. This should be reviewed by the municipality.

Dividends received	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	153	728	364	81	107	399	399	423	448
% Growth Rate (Nominal)		375.1%	-50.0%			9.6%		6.0%	6.0%

PT Comments:

As per the explanation provided in the Draft budget narrative report, the budget for Fines, penalties and forfeits *mainly relates to illegal connections and tampering fees* During the 2019/20 financial year, the municipality was confident that the "Thuma mina" campaign that they embarked on would contribute to the budgeted revenue against Fines, penalties and forfeits as there were people working on the ground. During the mid-year engagement, the municipality was advised to closely monitor the performance during the 2019/20 financial year and should the campaign not yield the desired results, the municipality was advised to adjust the budget during the 2019/20 Adjustments Budget. The municipality adjusted the budget for Fines, penalties and forfeits from R728 000 to R364 000 in the Adjustments Budget.

The municipality generated R153 000 in the 2018/19 financial year as per the 2018/19 audited AFS and only R81 000 as at the end of March 2020 (Month 09) - Section 71 report and based on a full year straight line projection, the municipality may generate approximately R107 000 for 2019/20. Therefore, the budgeted amount of R399 000 for 2020/21 appears to be overstated. The budget for Fines, penalties and forfeits should be reviewed in the 2020/21 Final Budget.

Licences and permits	22	19	21	25	33	24	24	25	26
% Growth Rate (Nominal)		-12.1%	12.8%			9.6%		6.0%	6.0%

PT Comments:

The budget for Licences and permits increased by 9.6 percent in 2020/21 from R21 000 in the 2019/20 Adjustments Budget to R24 000 in 2020/21 and no explanation was provided by the municipality in the Draft budget narrative report.

The municipality generated R25 000 as at the end of March 2020 (Month 09) as per the Section 71 report and based on a full year straight line projection, the municipality may generate approximately R33 000 for 2019/20 which is significantly higher than the budgeted amount for 2020/21. Hence, should the current trend in revenue for 2019/20 expected to continue, the municipality may need to assess whether the amount budgeted for in 2020/21 is not understated.

It is also noted that the budgeted amount for Interest earned - outstanding debtors, Fines, penalties and forfeits and Licences and permits are all budgeted to increase by the same 9.6 percent for 2020/21 and 6 percent for the 2 outer years.

Description	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework			
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Actual Amount (Data String) IYM as at: M09 Mar-20	Full Year Projections for current year based on Actual Perf. (100%)	Budget Year 2020/21 Council Tabled Budget	Data String	Budget Year +1	Budget Year +2
Agency services	1 785	1 953	1 953	1 383	1 844	2 149	2 149	2 277	2 414
% Growth Rate (Nominal)		9.4%	0.0%			10.0%		6.0%	6.0%

PT Comments:

An increase of 10 percent, from R1.95 million in 2019/20 Adjustments Budget to R2.1 million in the 2020/21 financial year has been noted against Agency services. As per the Draft budget narrative report, the budgeted amount against this revenue item relates to fees collected from concession fees (Siza water).

Transfers and subsidies	520 939	594 358	632 400	563 107		608 846	644 214	680 262	736 132
% Growth Rate (Nominal)		14.1%	6.4%			-3.7%		11.7%	8.2%

PT Comments:

The budgeted revenue from Transfers and subsidies of R608.8 million reflected in Table A4 reconciled to DoRB No. 43025 of 17 February 2020 as also reflected in Table SA18. No allocations were reflected for iLembe in the Provincial Gazette No.2177 issued on 26 March 2020.

As also indicated under the General compliance section of this report, it is the responsibility of the municipality to ensure that National and Provincial allocations are correctly accounted for in the 2020/21 Final Budget as per the DoRA and the Provincial Gazette.

Other revenue	27 484	42 352	30 871	13 604	18 139	29 210	29 210	30 398	31 952
% Growth Rate (Nominal)		54.1%	-27.1%			-5.4%		4.1%	5.1%

PT Comments:

The municipality has budgeted to decrease Other revenue by 5.4 percent from R30.9 million in the 2019/20 Adjustments Budget to R29.2 million in the 2020/21 financial year.

As per the Draft budget narrative report, the main contributing item to Other revenue is the National Schools Nutrition Programme (NSNP) budgeted at R17.6 million in Table SA1. However, considering that Table SA31: Aggregated entity budget was not populated. Provincial Treasury could not confirm accuracy on the budgeted amount for National Schools Nutrition Programme . Table SA31 should be populated by the municipality in the 2020/21 Final Budget.

The municipality further indicated that *"Private Developers fees (estimated at R4.3 million) is based on future developments and should the new development arise, the municipality will cater for such in the 2020/21 Adjustments Budget"* .

As at March 2020 (Month 09), the municipality only generated R13.6 million or 44.1 percent of the 2019/20 Adjustments Budget. During the engagement on the 2019/20 Section 72 report, the municipality had indicated that there were continuous challenges in terms of delays in receiving payments from the Department of Education (DoE). The municipality was advised to accrue revenue generated on the invoices issued to DoE. Therefore, the municipality should confirm the actual revenue recognised to date with the entity prior to the finalisation of the 2020/21 Final Budget.

Gains	-	-	1 890	101	134	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	**742 504**	**858 810**	**905 833**	762 376		**899 862**	**935 229**	**988 011**	**1 061 916**

Municipality: iLembe DM

Table A4 - Budgeted Financial Performance (Operating Expenditure) - PT Assessment

Description	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework			
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Actual Amount (Data String) YM as at: M09 Mar-20	Full Year Projections for current year based on Actual Perf. (100%)	Budget Year 2020/21 Council Tabled Budget	Budget Year 2020/21 Data String	Budget Year +1	Budget Year +2
Expenditure By Type									
Employee related costs	220 780	264 463	247 474	169 194	225 592	274 797	274 797	293 511	313 492
% Growth Rate (Nominal)		19.8%	-6.4%			11.0%		6.8%	6.8%
Increase/(decrease) in No. of Positions		68				54		% Decrease	-20.4%

PT Comments:

The budgeted expenditure for Employee related costs has increased by 11 percent in the 2020/21 financial year. As per the Draft budget narrative report, the municipality has applied a 6.5 percent as an average estimated increase as per the Signed Salary and Wage Collective Agreement. Furthermore, the municipality has again provided for vacant posts that were planned to be filled in the 2019/20 financial year. The list for vacant positions budgeted for was not provided by the municipality in the Draft budget narrative report. There was no indication of whether the recruitment processes have already begun.

The following inconsistencies were noted
- The comment provided by the municipality contradicts what they have populated in Table SA24 as the number of positions is budgeted to decrease from 686 to 546 employees.
- It was also noted that while total employees reflected in Table SA24 is budgeted to be 719 in 2019/20 it is noted that the number of Permanent (356) and Contract employees (161) combined does not reconcile to the total Positions.

As a result, Provincial Treasury is unable to comment on the reasonableness of the increase in budgeted expenditure for Employee related costs in relation to the total number of positions. The municipality should ensure that Table SA24 is accurately populated before the finalisation of the 2020/21 budget.

Remuneration of councillors	8 604	10 941	9 450	6 395	6 526	9 819	9 819	10 506	11 242
% Growth Rate (Nominal)		27.2%	-13.6%			3.9%		7.0%	7.0%
Remuneration Ratio	27.3%	32.2%	28.5%			31.7%		31.3%	31.5%

PT Comments:

Remuneration (Employee related costs and Remuneration of councillors) as a percentage of total operating expenditure is 31.7 percent which is within the norm range of 25-40 percent as indicated in the MFMA Circular No. 71.

Debt impairment	65 022	29 421	5 721	(12 671)	(17 162)	9 001	9 001	9 415	9 848
% Growth Rate (Nominal)		-54.8%	-80.6%			57.3%		4.6%	4.6%

PT Comments:

The municipality has budgeted to increase Debt impairment by 57.3 percent, from R5.7 million in 2019/20 to R9 million in 2020/21 financial year.

As per the Draft budget narrative report, the municipality indicated that the budgeted amount for Debt impairment is linked to the collection rate of 75 percent and the latest debtors information at the disposal of the municipality. The municipality further indicated *that a report from an expert on debt write off was received in November 2019, regarding doubtful debts that need to be written off in the current financial year. A recommendation report to write off an amount of R54 million was approved by Council as per the MFMA. An additional amount of between R40 million and R50 million will be written off before the end of the 2019/20 financial year, which will result in a decreased movement to provision for doubtful debts.* It is unclear whether the R40 million to R50 million is in addition to R54 million approved in November. The municipality is requested to confirm the total amount to be written off. Furthermore, the municipality should submit the progress report in respect of the debt write off in the Final budget narrative report.

The following discrepancies were noted and as a result, Provincial Treasury was unable to determine the reasonableness of the budgeted amount.
- While the municipality reflected a closing balance at the end of the 2019/20 year amounting to R201.4 million for Debt impairment, the municipality reflected R218.4 million as Balance at the beginning of the year in 2020/21. Thus, the Provision for bad debt in 2020/21 against gross Consumer debtors in Table SA3 is misstated. This should be reviewed by the municipality in the 2020/21 Final Budget; and
- The municipality indicated that debt of approximately R54 million will be written off, thus resulting in a decreased contribution in 2020/21. However, the budget for Debt impairment reflected an increase of 57.3 percent in 2020/21.
These inconsistencies should be reviewed by the municipality in the 2020/21 Final Budget.

Description	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework			
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Actual Amount (Data String) IYM as at: M09 Mar-20	Full Year Projections for current year based on Actual Perf. (100%)	Budget Year 2020/21 Council Tabled Budget	Data String	Budget Year +1	Budget Year +2
Depreciation & asset impairment	106 408	85 912	87 102	75 358	100 478	90 680	90 680	94 911	99 277
% Growth Rate (Nominal)		-19.3%	1.4%			4.1%		4.7%	4.6%

PT Comments:

In Table A4, the municipality increased the budget for Depreciation and asset impairment by 4.1 percent from R87.1 million in 2019/20 to R90.7 million in the 2020/21 financial year.

The municipality indicated in the Draft budget narrative report that the total amount budgeted for this item of expenditure is informed by the Fixed asset policy. Furthermore, *"this provision is as per the compliance of GRAP17 accounting standard"*. The municipality correctly reflected the 'Total Asset Register Summary' amount in the audited years when compared to the audited AFS. It is also noted that when considering the closing balance as at 2018/19 and the movements in 2019/20 and 2020/21, the 'Total Asset Register Summary' amount reflected in 2020/21 appears reasonable. When taking into account the Depreciation and asset impairment over the Total Assets which averaged at 3 percent between 2016/17 and 2019/20, the budgeted expenditure for Depreciation and asset impairment in 2020/21 at 3 percent of the 'Total Asset register summary' amount, thus appears reasonable.

Finance charges	8 175	12 403	11 357	5 540	7 387	12 691	12 691	10 936	9 591
% Growth Rate (Nominal)		51.7%	-8.4%			11.7%		-13.8%	-12.3%

PT Comments:

The budgeted expenditure for Finance charges increased by 11.7 percent in the 2020/21 financial year. As per the Draft budget narrative report, Finance charges consists mainly of interest on long term borrowings and interest related to the vehicles purchased via an instalment sale agreement and accounted for as a Finance lease as per GRAP standards. As per the municipality no new loans are anticipated over the 2020/21 MTREF, however due to the recent fleet lease contract, more interest will be incurred.

The municipality did not submit the supporting document in regards to the repayments and thus, Provincial Treasury was unable to comment on the reasonableness of the budgeted amount. The municipality is requested to submit the basis of calculation in the 2020/21 Final Budget.

Bulk purchases	150 578	132 057	170 470	119 330	159 106	219 000	219 000	240 900	264 990
% Growth Rate (Nominal)		-4.0%	29.1%			10.0%		5.4%	5.4%

PT Comments:

Bulk purchases increased from R170.5 million in the 2019/20 Adjustments Budget to R219 million in the 2020/21 financial year. As per the Draft budget narrative report, the increase in Bulk purchases in the budget is linked to Umgeni Water Board who will increase their bulk tariffs in 2020/21 by 9.6 percent.

As at March 2020 (Month 09), the municipality incurred R119.3 million or 70 percent against the Adjusted Budget of R170.5 million. Based on the current trend, the municipality would incur R159.1 million by the end of 2019/20 and the budget for Bulk purchases in 2020/21 appears to be overstated. However, the municipality indicated in the Draft budget narrative report that the Capital Unit Charges (CUC) payments will start in 2020/21, thus the budget for Bulk purchases is inclusive of the CUC costs. The municipality is advised to monitor performance against this item of expenditure in 2020/21 to ascertain whether the budgeted amount is reasonable.

Other materials	19 557	25 178	6 650	11 216	14 955	21 398	21 395	22 386	23 415
% Growth Rate (Nominal)		28.7%	-73.6%			221.8%		4.6%	4.6%

PT Comments:

The budget for Other materials increased by 221.8 percent from R6.7 million in 2019/20 to R21.4 million in the 2020/21 Draft Budget.

It is clear that based on the actual performance of R11.2 million reported as at the end of March 2020 (Month 09), the 2019/20 Adjustments Budget of R6.7 million was significantly understated. In addition, should the current performance trend continue, the full year projection for 2019/20 would be around R14.96 million which might result in unauthorised expenditure.

The budget for Other materials in Table A4 has been carried forward from the breakdown of Repairs and maintenance in Table SA1, however, Other materials reflected in Table SA1 amounted to R54.7 million which is higher that the budgeted expenditure in Table A4. As per the Draft budget narrative report, the municipality indicated that *only R21.4 million from Other materials form part of the Repairs and maintenance budget*. Thus, the budgeted amount for Other materials in Table SA1 is misstated.

Furthermore, it is not clear if the municipality has correctly classified the total costs to Repairs and maintenance in Table SA1 as the municipality did not consider any budgeted Employees related cost, Contracted services and Other expenditure that may relate to Repairs and maintenance. It was also noted that no items relating to Repairs and maintenance were disclosed in the breakdown of Other expenditure while Contracted services reflected R1.8 million for Vehicle repairs and R24.1 million for Electrical repairs.

The municipality is requested to review the budgeted amount for Other materials for reasonableness. Furthermore, the supporting Table SA1 should be accurately populated in the 2020/21 Final Budget.

Description	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework			
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Actual Amount (Data String) IYM as at: M09 Mar-20	Full Year Projections for current year based on Actual Perf. (100%)	Budget Year 2020/21		Budget Year +1	Budget Year +2
						Council Tabled Budget	Data String		
Contracted services	131 937	143 025	192 452	113 418	151 224	143 473	143 473	165 617	169 772
% Growth Rate (Nominal)		8.4%	34.6%			-25.5%		15.4%	2.5%

PT Comments:

A decrease of 25.5 percent was reflected against Contracted services, from R192.5 million in 2019/20 to R143.5 million. The municipality indicated in the Draft budget narrative report that the decrease is due to the continuous reclassification of expenditure as a result of mSCOA.

As per the Draft budget narrative report, all existing contracts have been provided for on the budget. In Table SA1, Contracted service relating to repairs were not reflected in the Repairs and maintenance section however, it was noted that Contracted services reflected R1.8 million for Vehicle repairs and R24.1 million for Electrical repairs. Thus, as a result of these inconsistencies, Provincial Treasury cannot comment on the budgeted amount of Contracted services relating to the portion for Repairs and maintenance.

This should be corrected by the municipality in the 2020/21 Final Budget.

Transfers and subsidies	–	–	–	26 672	35 563	–	35 367	–	–
% Growth Rate (Nominal)									

PT Comments:

While no budget has been reflected in the Schedule A, an mount of R26.7 million was reflected in the data string as at Month 09 (Section 71 report) for the 2019/20 financial year. As per the municipality, the amounts reflected for both the actual performance and the budgeted data string of R35.4 million in 2020/21 relate to intercompany transactions which the financial system in unable to eliminate at this po nt. The munic pality is reminded to continuously communicate with the service prov der in regards to these discrepancies.

Other expenditure	122 790	152 150	170 141	84 061	112 881	117 611	117 611	123 328	129 198
% Growth Rate (Nominal)		23.9%	11.8%			-30.9%		4.9%	4.8%

PT Comments:

The municipality reflected a decrease of 30.9 percent in 2020/21 against the budget for Other expenditure. As per the Draft budget narrative report, *the municipality indicated that the decrease when compared to the 2019/20 Adjustments Budget is mainly attributable to the fact that the iLembe Enterpnse will no longer be receiving the UIF Grant from the Department for Labour which was allocated in 2019/20* . Furthermore, there is no additional funding anticipated for operating expenditure in 2020/21.

Losses	6 290	–	200	106	–	63	63	66	69
% Growth Rate (Nominal)		-100.0%				-68.4%		4.5%	4.6%

PT Comments:

It is unclear as to what the budgeted amount of R63 000 reflected against Losses in 2020/21 relates to considering the fact that no Proceeds on disposal of PPE have been budgeted for in the Cash Flow Table A7.

Total Operating Expenditure	840 141	855 550	901 016	599 018		898 533	933 900	971 577	1 030 894
Table A4 - Budgeted Financial Performance (Surplus/Deficit) - PT Assessment									
Total Operating Revenue	742 504	858 810	905 833	762 376		899 862	935 229	988 011	1 061 916
Total Operating Expenditure	840 141	855 550	901 016	599 018		898 533	933 900	971 577	1 030 894
Operating Surplus/ (Deficit)	(97 636)	3 260	4 818	163 358		1 329	1 329	16 434	31 022
% Growth Rate (Nominal)		-103.3%	47.8%			-72.4%		1136.6%	88.8%

PT Comments:

The projected surplus of R1.3 million in the 2020/21 financial year may not be a true reflection of the budgeted operating performance for the municipality. The operating surplus is largely affected by amongst others, possible overstatement of Interest earned - outstanding debtors etc. The municipality is advised to consider the findings noted above and revise the budget, where applicable, prior to the approval of the 2020/21 Final Budget by Council.

Municipality: Lembe DM

Table A5 - Budgeted Capital Expenditure by vote, functional classification and funding

Description	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework			
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Actual Amount (Data String) IYM as at: M09 Mar-20	Full Year Projections for current year based on Actual Perf. (100%)	Budget Year 2020/21 Council Tabled Budget	Budget Year 2020/21 Data String	Budget Year +1	Budget Year +2
Capital Expenditure - Functional									
Governance and admin.	3 995	68 541	78 479	(31 654)	(42 205)	6 796	6 796	377	320
Executive and council	–	–	–	–	–	–	–	–	–
Finance and administration	3 995	68 541	78 479	(31 654)	(42 205)	6 796	6 796	377	320
Internal audit	–	–	–	–	–	–	–	–	–
Community & public safety	296	1 800	1 800	–	–	–	–	–	–
Community & social services	296	–	–	–	–	–	–	–	–
Sport and recreation	–	–	–	–	–	–	–	–	–
Public safety	–	–	–	–	–	–	–	–	–
Housing	–	–	–	–	–	–	–	–	–
Health	–	1 800	1 800	–	–	–	–	–	–
Eco. and environ. services	–	4 698	6 043	1 605	2 139	150	150	250	850
Planning and development	–	4 698	6 043	1 605	2 139	150	150	250	850
Road transport	–	–	–	–	–	–	–	–	–
Environmental protection	–	–	–	–	–	–	–	–	–
Trading services	237 382	272 910	316 000	130 615	174 154	195 850	195 850	198 557	212 776
Energy sources	–	–	–	–	–	–	–	–	–
Water management	183 103	182 958	253 415	94 515	126 020	124 964	124 964	138 880	177 781
Waste water management	54 279	89 951	62 585	36 100	48 134	70 886	70 886	59 677	34 996
Waste management	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–
Total Capital Expenditure	**241 672**	**347 948**	**402 322**	**100 566**	**134 088**	**202 796**	**202 796**	**199 185**	**213 946**
% Growth Rate (Nominal)		44.0%	15.6%			-49.6%		-1.8%	7.4%

PT Comments

Budgeted capital expenditure decreased by 49.6 percent from R402.2 million to R202.8 million in 2020/21. It was noted that the level of funding from National Government has decreased in 2020/21 and the municipality is no longer budgeting for projects/capital assets acquisition funded from Borrowing, which contribute to the decrease in capital budget.

The following were noted with regards to the budget for capital expenditure budget:
1) In Table SA35, while the municipality populated the Future financial implications of the capital budget over the 2020/21 MTREF, no information was populated between 2023/24 to 2025/26;
2) Total Capital expenditure agrees to Table SA36, however, the municipality has not populated the following information on Table SA36
- GPS Longitude;
- Ward Location
- MTSF Service Outcome;
- IUDF;
- Own Strategic Objectives; and
- Project number

As the municipality has only spent 24.9 percent of the 2019/20 Capital Budget as at end of March 2020 (Month 09), it would be reasonable to expect Table SA37: Consolidated Projects delayed from previous financial years to be populated. However, this was not the case. Furthermore, since majority of the municipality's projects are funded by grants, the municipality is reminded of the risk of surrendering the unspent grants to National Revenue Fund (NRF) should they fail to spend their grants fully by the end of the financial year. It is also noted that while the municipality reflected R100.6 million as Total Capital Expenditure incurred at Month 09 as part of the Section 71 report submitted, while the Total Capital Funding (revenue recognised) for the same period was R132 million. The municipality should ensure consistency on their reporting.

These discrepancies should be corrected by the municipality in the 2020/21 Final Budget.

Description	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework			
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Actual Amount (Data String) IYM as at: M09 Mar-20	Full Year Projections for current year based on Actual Perf. (100%)	Budget Year 2020/21		Budget Year +1	Budget Year +2
						Council Tabled Budget	Data String		
Repairs and maintenance (Table A9)	30 376	62 938	34 950			54 701	54 935	57 217	59 849
% Growth Rate (Nominal)		107.2%	-44.5%			56.5%		4.6%	4.6%
Repairs and maintenance as a % of PPE Values						2.2%			

PT Comments:

The budget for Repairs and maintenance has increased in the 2020/21 financial year to R54.7 million and represents only 2.2 percent of the Property, Plant and Equipment value of R2.5 billion as reflected in the 2018/19 audited AFS. This is below the National Treasury MFMA Circular 55 guideline of 8 percent.

As per the Draft budget narrative report, cash flow constraints have resulted in the municipality budgeting for lower Repairs and maintenance in 2020/21. The municipality also stated that capital budget also addresses the replacement and refurbishment of aged pipelines and pumps. The Draft budget narrative report does not provide Provincial Treasury with an assurance that the budget for Repairs and maintenance is in line with the municipality's Asset Management Plan as well as no assurance has been provided to the reader of the budget documents that the ongoing health of the municipality's assets would not be jeopardised.

As also indicated in the assessment of Other materials in Table A4, Provincial Treasury could not establish true costs of Repairs and maintenance due to poor population of the Repairs and maintenance section in Table SA1. This should be reviewed by the municipality in the 2020/21 Final Budget.

The budget amount of R54.7 million reflected in the Schedule A1 did not reconcile to R54.9 million reflected in the data string. This should be corrected by the municipality in the 2020/21 Final Budget.

Renewals and Upgrading of existing assets (Table A9)	44 225	98 270	134 702			62 522	62 522	52 049	65 027
% Growth Rate (Nominal)		122.2%	37.1%			-53.6%		-16.8%	24.9%
Renewals and Upgrades as a % of capital expenditure		28.2%	100.0%			30.8%		25.1%	30.4%

PT Comments:

The municipality reflected R31 million for Renewals of existing assets (Table SA34b) and R31.5 million for Upgrading of existing assets (Table SA34e). Whilst, as per the National Treasury guideline, Renewals of existing assets should be at least 40 percent of capital budget, only 30.8 percent has been budgeted for in 2020/21 by the municipality.

The Draft budget narrative report did not provide clarity whether the budget will be sufficient to ensure the ongoing health of the assets or whether the budget was aligned with the Asset Management Plan. The municipality should provide full explanations in the 2020/21 Final Budget.

Table A5 - Budgeted Capital Expenditure by funding

Description	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework			
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Actual Amount (Data String) IYM as at: M09 Mar-20	Full Year Projections for current year based on Actual Perf. (100%)	Budget Year 2020/21		Budget Year +1	Budget Year +2
						Council Tabled Budget	Data String		
Budgeted Capital Expenditure Funded by:									
National Government	234 807	257 910	305 821	128 370	171 160	195 850	195 850	198 557	212 776
% Growth Rate (Nominal)		9.8%	16.0%			-36.0%		1.4%	7.2%

PT Comments.

When compared to DoRB, the municipality has correctly accounted for all capital grants that are gazetted as reflected in Tables SA18 and A5. Table A5 however excludes VAT.

As at Month 09 (March 2020), revenue recognised from National Government funded projects was only R128.4 million or 41.98 percent of the budgeted R305.8 million in 2019/20. The municipality should fast track the implementation of grant funded projects in order to avoid having to surrender unspent funds to National Revenue Fund (NRF).

Provincial Government	2 159	4 348	7 648	168	224	–	–	–	–
% Growth Rate (Nominal)		101.4%	75.9%			-100.0%			

PT Comments.

No grant was allocated for the 2020/21 MTREF in the Provincial Gazette.

As at March 2020 (Month 09), the municipality reflected performance of R168 000 or 2.2 percent against the budgeted R7.7 million. The municipality should fast track the implementation of grant funded projects in order to avoid having to surrender unspent funds.

District Municipality	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	–	–	–	–	–	–	–	–	–
Transfers recogn.- capital	236 966	262 257	313 469	128 538	171 384	195 850	195 850	198 557	212 776